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EDITORIAL

As We See It

The oft-deferred and well publicized inquiry into the state of the finances of the nation has at length got under way before the Senate Finance Committee. It quickly produced an argument between two titans, Senator Byrd and Secretary of the Treasury George Humphrey. The Senator is much afraid that we are, financially speaking, treading on thin ice, while the Secretary, though evidently not under any delusion of perfection, is confident that history will place its seal of approval upon the financial work of the Eisenhower Administration with which he himself has had so much to do. Any appraisal of the merits of the arguments put forward by either or both of the estimable gentlemen must, of course, await availability in detail of what they had to say. We have no doubt that each of them supported his contentions with an able analysis of the facts.

The magnitude of Federal expenditures after four or five years of a regime originally dedicated to reduction in government outlays came in for considerable (and deserved) criticism in the give and take of the Committee room — and no one seemed much inclined to try to defend it vigorously, although none seemed to be specific as to what items of proposed outlays should be deleted from present budget plans. But, as might have been expected, the critics of monetary policy in general, and of the Federal Reserve policy in particular, are planning to have a field day. There can be little doubt that the opposition party has high hopes of making "dear money" a serviceable campaign issue next year, and, so they doubtless hope, in the Presidential election year, 1960. Between public extravagance, which the

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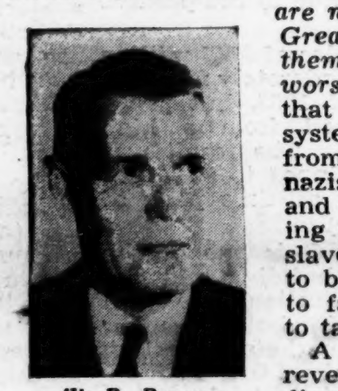
Federal Debt and Budget in Past Four and a Half Years

By HON. W. RANDOLPH BURGESS*
Under Secretary of the Treasury

Treasury official admits we have problems of prosperity but denies pessimistic charges made currently about the Federal debt and its management. Former banker compares the Eisenhower Administration's accomplishments with the recommendations of Committee on Public Debt Policy, made in 1948, on avoiding predicted dangers arising from a huge Federal debt. Concludes real progress has been made in past 4½ years in handling the debt in view of: smaller budget and shift to surplus as compared to inherited Truman's budget and deficit in 1953; better debt distribution; and restoration of flexible interest rates and business confidence. Mr. Burgess calls for spending restraint and tax cut postponement.

Nine years ago, in June, 1948, I spoke to The Graduate School of Banking on the subject of the management of our huge national debt. At that time, I was able to report the conclusions of a two-year study made by the Committee on Public Debt Policy, of which I was chairman. This Committee published a series of pamphlets and a summary volume entitled "Our National Debt."


W. R. Burgess

Now, after spending 4½ years in the Treasury Department with some responsibility for the management of the public debt, I want to discuss what we have accomplished in putting into effect the principles on which our Committee agreed nine years ago.

This is particularly appropriate, because, in recent weeks, many foolish and unduly alarming statements have been made about the debt and our present problems in its man-

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*An address by Mr. Burgess before The Graduate School of Banking of the American Bankers Association, Rutgers University, New Brunswick, N. J., June 14, 1957.

What Is Past Is Prologue

By HAROLD B. WESS*
Professor of Business Administration and Marketing
School of Business Administration
The American University, Washington, D. C.
Former Vice-President R. H. Macy & Co.

Professor Wess admonishes insincere Federal, state and local budget-cutters; union feather-bedding and restrictive practices; agitators for cheap government money; and public's lethargy to basic economic problems and failure of courageous leadership to awaken the public. Warns that unless past 25-year trend "is reversed we will end up in the same plight as Great Britain and France or perhaps even worse." In pointing out that the so-called "robber barons" of the past would be shocked at the kind of invisible robbery we tolerate today, the business expert calls for labor statesmanship, Congressional action, and courageous men who would "rather be right than president."

If the major trends in our country of the last 25 years are not reversed, we will end up in the same plight as Great Britain and France now find themselves—or perhaps in an even worse condition. It is a great pity that the only true free enterprise system today, which saved the world from tyranny in World War I, from nazism and fascism in World War II, and the only power capable of saving the rest of the world from enslavement, has been allowing itself to bleed to death because of failure to face the facts as they exist and to take appropriate action.


Harold B. Wess

A trend can only be stopped or reversed if the underlying causes are discovered soon enough and eliminated. This, I submit, we have not done. We have preferred optimistic forecasts and pleasant prophecies. Can we not agree that our recent years have been dominated by inflation?

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*An address by Prof. Wess before the Institute of Appliance Manufacturers, Cincinnati, Ohio, June 4, 1957.

I. D. A. OF CANADA CONVENTION ISSUE—Section 2 of today's issue is devoted to the 41st Annual Convention of the Investment Dealers' Association of Canada at Jasper Park Lodge, Jasper, Alberta, June 11-14, 1957.

The Security I Like Best

A continuous forum in which, each week, a different group of experts in the investment and advisory field from all sections of the country participate and give their reasons for favoring a particular security.

(The articles contained in this forum are not intended to be, nor are they to be regarded, as an offer to sell the securities discussed.)

AUGUST HUBER
Manager Stock Department
Spencer Trask & Co., New York City
Members New York Stock Exchange

Armstrong Cork

A basically well situated issue with encouraging longer range prospects and a strong position in its diversified fields, the shares of Armstrong Cork have declined to around 28, from an earlier high of 38. At this lower price the $1.50 dividend affords a relatively favorable yield of 5½%.

August Huber

The decline of 29% in market price from 38 to 28 contrasts with a possible recovery in 1957 earnings moderately above the $2.56 per share shown last year.

The decline in new residential building has been reflected in the less favorable market action of the stock, along with some pressure on profit margins due to competitive factors.

Last year's sales of $247 million were off only moderately from the $249 million of 1955, but profit margins declined from a high 15.1% to 13.8%. The result was that earnings dipped to $2.56 per share from the all-time peak of $2.83 in 1955.

ARMSTRONG is one of the three largest building material companies. Operations are well diversified, serving both consumer and industrial markets. Sales are composed roughly of 60% building materials; 20% industrial specialties, and 20% packaging products.

The packaging division consists chiefly of glass containers, although plastic containers and caps and closures are also made. Demand for such products is steady and growing. The company's aggressive promotional and development work enables maintenance of a strong industry position.

Industrial specialties manufactured by Armstrong go to a diversified list of customers. Products include friction facing materials, gasketing, insulations, firebrick, textile roll covers, cushioning materials, adhesives, and a wide range of other items. On an over-all basis, this division should show moderate gains over 1956.

The building materials business, accounting for the bulk of the company's sales, includes the well-known Armstrong hard-surface floor coverings, interior wall coverings, acoustical materials which deaden noise, insulating materials, hard boards, and related items.

Maintenance, modernization, and repair work on existing structures and homes is more important to ARMSTRONG than new building. Such expenditures depend mostly on the level of consumers' incomes and should show considerably greater stability than outlays for new home construction. This provides a favorable offset during periods of lower new home construction, such as the present.

ARMSTRONG'S research has been aggressive in the building materials field, developing a continuous flow of commercial products. Sales since 1947 have advanced rather steadily from $144 million to around the $250 million level. During the past 10-year period, the management's excellent cost control has kept profit margins between 12% and 15%.

Sales in the first quarter of 1957 were well sustained around last year's $61 million level. Net earnings, however, were 55c per share, against 72c. This reflected (a) higher general operating costs, and (b) special costs relative to the expansion program and break-in costs in starting new operations.

In line with the management's stringent cost-control policies, aggressive steps are being taken to counteract the rising cost trend. Last year's capital expenditures of $20 million were a record high for ARMSTRONG. While initially the new plants penalize earnings, these facilities should have a progressively favorable effect on capacity of output, quality, and operating efficiency.

The pattern of quarterly earnings for 1957 may well contrast for the better with those of 1956. Last year's 72c per share earnings in the first quarter were the highest for the year — trending moderately downward in the second and third quarters. This year's 55c per share in the first quarter may be the lowest, from present indications, with a higher trend of earnings during subsequent periods.

The reasons for this prospect, as indicated by the management, are (a) distributors' inventories are now well balanced; (b) any rise in demand should be quickly reflected in production schedules, and (c) more recently, incoming orders have been averaging higher than a year ago.

While new residential building operations have been lower, underlying trends continue favorable in such building fields as schools, commercial construction, and remodeling of residences.

Finances and Dividends

ARMSTRONG'S financial position is sound. Current assets of $67.4 million ($10.5 million cash) were 3.2 times total current liabilities of $21.1 million, leaving net working capital of $46.3 million.

Dividends have been $1.50 per share during the past two years—30c quarterly, plus 30c extra. This policy should continue (capital expenditures this year should be about only half of the $20 million spent last year) and at 28, the $1.50 dividend yields a favorable 5½%.

Dividends have been paid without interruption for the past 23 years.

ARMSTRONG CORK, basically, is strongly situated and is ably and aggressively managed. Its active research continually broadens the product line and the longer term trend of building and modernization provides a good base for the company's operations.

The shares listed on the New York Stock Exchange, are already relatively well deflated marketwise, having declined 29% from a high of 38, due to what appear to be temporary influences in a long range upward trend. At about 28, the shares are selling at only about 10 times estimated 1957 earnings of about $2.70 per share and yield 5½%.

This Week's Forum Participants and Their Selections

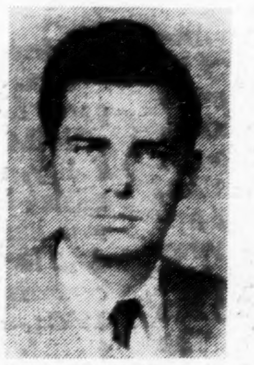
General Transistor Corp. — J. Blake, Jr., Investment Department, Grace National Bank, New York City. (Page 2)

Armstrong Cork Co. — August Huber, Manager Stock Dept., Spencer Trask & Co., New York City. (Page 2)

EDMUND J. BLAKE, JR.
Investment Department
Grace National Bank of New York

General Transistor Corporation

General Transistor Corporation has had unusual growth in its almost three year history due to the widespread acceptance of the semi-conductor device known as the transistor. Its applications in computers have been considerable and its growth in this and other electronic units appears to present considerable opportunity for investment.



Edmund J. Blake, Jr.

General Transistor is a quality manufacturer, principally of computer transistors, whose common stock at a price of about 23 (listed on the American Stock Exchange) is selling at 23 times minimum anticipated 1957 earnings of $1 per share. Sales almost doubled in the second half of 1956 over the first half and are expected to triple in the current year over 1956. The stock appears to be a reasonable speculation in a small, but rapidly growing company in one of the newest fields of electronics.

The transistor was developed less than nine years ago by the Bell Telephone Laboratories. It is a device employing germanium, silicon or other semi-conductor material, to perform the functions hitherto performed by the conventional vacuum receiving tube. Transistors require less power and in certain applications require less complex circuits than do tubes. They are much smaller than vacuum tubes, have no filament and radiate negligible heat. Hence, their voltage and power needs are a fraction of those of vacuum tubes. This effects radical savings in the size and weight of equipment. Transistors have long operating life, approximately ten times that of vacuum tubes. They require no "warm-up" period, operating the instant they are energized.

Probably the greatest potential market for transistors is in the industrial and military business. Examples of applications are in telephone switching, data handling systems, control equipment in guided missiles, ignition systems, servo-amplifiers and the rapidly expanding computer market. All of these offer growth prospects which are extremely attractive. There is hardly an electronic instrument made or conceived which may not utilize the transistor in one form or another. In 1955, only six million transistors were produced, 12.5 million in 1956 and an estimated 30 million in 1957 will be manufactured. By 1965, the industry estimates production at about 450 million units.

General Transistor Corporation has been participating in this expansion. Its growth in the almost three years it has been in operation has been outstanding, especially with considerable competi-

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Sowing the Seeds of Inflation

By DR. EDWIN G. NOURSE*
Former Chairman of the President's Council of Economic Advisers
Former Vice-President Brookings Institution

Former chief Presidential economic adviser asserts while Eisenhower Administration has accomplished much in curbing the inflation whose seeds were sown during the war and early postwar periods, there are severe limitations on the Government's ability to solve the whole problem. Holds Government by itself can curb our built-in inflation only at the cost of a depression. Urges we make Big Business, Big Labor, and Big Government work together with maximum productivity and efficiency instead of becoming an "engine of inflation," whose "tricky gadgets" include wage escalator clauses, growing business practice of financing plant improvement and expansion out of earnings via high prices, and farmers' parity policies.

As an economist I am constantly struck by the confusion that exists as to what inflation really is, how it comes about, and what we can or should do to curb it. Inflation is not merely a synonym for deficit spending or for any high level of government spending or for a mere rise, prolonged or rapid, in general prices. All these things may be ingredients in that INFLATION spelled in capital letters that people are getting more and more concerned about today. We need to get them all in perspective to each other if we are going to understand where we stand now and what it portends for the future.

Edwin G. Nourse

This I think we can best do by going back for a quick look at the road by which we got here. If we are now reaping a harvest of inflation, what were its seeds and how were they sown? Are we still sowing the seeds of a yet more dangerous inflation next year and thereafter till we reap the whirlwind of a business depression? To get a running start on these questions, we need to look back more than a quarter-century.

A Bit of History

For ten long years from 1929 to 1939, our country wallowed in the trough of the Great Depression, while we sought ineffectually to reflate prices and incomes to a level where business would again be prosperous and employment opportunities abundant. Then, suddenly, World War II broke down many of our traditional economic inhibitions and invoked the dual stimulus of fear and patriotism to expand activity and raise prices. In five short years, we multiplied the national debt from $26 billion to $278 billion, built up an enormous backlog of deferred wants and liquid savings, and facilitated a great release of human fecundity. Prices and wages were in those years pretty well held down by controls. But the seeds of inflation (in the sense of a great rise in prices and income) had been widely sown.

For 12 hectic years since V-J Day we have followed the easy and delightful path of an almost uninterrupted business boom. During this fabulously prosperous period we have exploited the productivity potential released by the forces of the war and its aftermath in Korea, NATO, "et cetera, et cetera, and so forth." We have also exploited the price-raising potential built up in that enlarged national debt, complemented by corporate and consumer boldness in making heavy credit commitments and by the ability and willingness of banks and other financial agencies to handle the load of administration, accounting, and risk that such financing involved.

Inflation Stressed Under Truman

A glance back at the early years of this postwar period will show how we the people shortsightedly sowed the seeds of inflation even while the presence of such a danger was being clearly pointed out. President Truman continuously stressed the threat of inflation in his *Economic Reports* to the Congress and consistently recommended measures to curb it. In January 1947 he said: "Expert and lay opinion is in agreement on the rule of sound public finance that calls for a surplus in government revenues over expenditures while employment is high and the total of income is large." In July 1947, reiterating the same point, The Economic Report of the President said:

"Tax reduction now would add to inflationary pressures and would also prevent the debt reduction which should be carried out in prosperous times to strengthen the nation's financial position against future contingencies. . . . A policy of budget surplus and debt redemption is imperative under present conditions to provide that safeguard [against inflationary possibilities which still exist]." (pp. 4, 37)

In January 1948, the President reported a cash surplus for calendar '47 of "5.6 billion dollars, which was used primarily to reduce bank holdings of Federal debt. This was a counter-inflationary factor during a year of mounting inflation. . . . Taxes at present are providing revenues

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*An address by Dr. Nourse at two-day conference sponsored by the National Citizens Committee to Curb Inflation.

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Articles and News Page

MORE ARTICLES IN SECTION TWO

SECTION TWO of today's "Chronicle" is devoted to the 41st Annual Convention of the Investment Dealers' Association of Canada at Jasper Park Lodge, Jasper, Alberta, and includes the following articles on the pages indicated:

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Observations . . .

By A. WILFRED MAY

CORPORATE DEMOCRACY UNDER CURRENT SEC ATTITUDES

WASHINGTON—In the interval between the Senate Subcommittee's Hearings on SEC Enforcement Problems and the coming hearings on legislative amendments, it is worthwhile to take stock of the general status, loopholes, and difficulties in SEC Administration, notably in existing proxy machinery and rules. And, particularly with the shift in the regulatory body's chairmanship, is consideration of its philosophy and attitudes timely and fitting.

A. Wilfred May

As discussed at length before the Senate Banking and Currency Sub-Committee, an important headache is comprised by increasing use (confirmed by former Chairman Armstrong) of foreign financial institutions in conducting transactions involving United States securities. Flowing from such use of foreign banks and other institutions, with the public's attention being directed to Switzerland, are pressing problems concerning proxy solicitation, compliance with our registration requirements, and alleged tax evasion.

Disclosure, or Disenfranchisement

To meet this situation Senator Homer E. Capehart has introduced legislation (in bills S. 879 and S. 594) which endeavors, where there is a proxy or other management fight, to insure that all stockholders wishing to vote, disclose 100% the beneficial owners of the stock. Senator Capehart holds that if beneficial owners do not wish to divulge their ownership, they ought not to be required to do so, but that in that case they should be denied a vote—on the premise that if there is a fight over management, every other stockholder is entitled to know who the real owners are.

The SEC in opposition contends that there is no need to publicize an individual stockholder's holding before he is permitted to vote in a contest unless he be a *participant* in a solicitation. The SEC's existing amended rules provide for detailed disclosure in the case of contest *participants*.

Outside of the question of the desirability of full disclosure regarding all voting stockholders, SEC officials typically stress the practical difficulties. These, they contend, would include bulkiness of the solicitation's content; the exigencies of state laws preventing disenfranchisement; interference with corporate financing; the reluctance of brokers to give information regarding their ordinary customer accounts harboring the possibility that they would refrain from giving any proxy, thus possibly making it sometimes difficult to secure a meeting quorum. And in the case of certificates for shares held in "Street names," there are the difficulties in tracking down the real owner.

Present Status of Information Available on Foreign Owners

The difficulties of identifying the real owners are of course compounded in the case of securities held abroad, whence net purchases of U. S. corporate securities, mostly common stocks, ran at a rate of $200 million in 1956, against only $1 million in 1950. Net foreign holdings of stocks had a value of $6.6 billion at the end of 1955.

Except for information relating to specific securities coming to light as a result of investigations by the SEC, the only present regular source of knowledge covering foreign transactions in domestic securities are the Treasury reports which identify only the countries from which the orders originate. Formerly the SEC received current information of the amounts and names of specific securities bought and sold by foreign accounts through weekly reports from 35 foreign-specializing New York brokerage houses; but these reports were discontinued in 1952; and in any event did not identify beneficial owners. It seems to be impossible to get, through the reports filed with the Treasury, the Department of Commerce, or any other source, information about foreign beneficial owners.

Senator Capehart, in a special interview with this writer reviewing the situation, while freely admitting the practical difficulties in the way of identification (although perhaps not to the extent envisaged by the Commission) insists that this is irrelevant in the framework of his contention that those unable or unwilling to be identified, merely shall be foreclosed from voting.

Sen. Homer Capehart

Discriminatory Withholding of Material

In a far more untenable position is the SEC in its attitude in refusing to compel the advance of arguments to both sides, in both proxy contests and in the case of non-contest shareholder proposals. Management's comments, and other preliminary copies of proxy statements, are not required to be made available to the proponent or other opposing person. Where the SEC does not elect to make inquiry of them, they are afforded no opportunity to suggest correction to the Commission prior to the mailing of the comments to security holders. Even though the SEC may feel that it is inadvisable to make the material subject to public inspection before it is mailed to the shareholders, there is no valid reason for their not simply requiring the mailing directly to the proposing shareholder or opposition that portion of the preliminary proxy statement that comments on his material.

In the case of contests, Senator Capehart, a member of the Banking and Currency Committee, is again in conflict with the Commission. He maintains that the Commission is neglecting its functions if it is unwilling to accept, at least for advisement, data and information, particularly when on a highly technical or otherwise specialized matter.

Commission officials oppose the suggestion on the ground that this would open up lengthy debate, slow down the mailing process and possibly delay meetings.

But this argument as to the horrendous consequences of merely keeping both sides apprised mistakenly presupposes that the Commission cannot protect itself from becoming involved in subsequent conflict; whereas all that is sought is the opportunity to offer helpful information to a staff that is both busy and incapable of instantaneous cognizance with all phases of every company, as well as external factors, such as tax incidence.

Aggravated Abuse

In the case of the non-contest proposals the objections are even more unwarranted. Here the management has the opportunity to rebut the proposer in the very same communication, after having seen the proposal in contrast to the proposer's deprivation of the equivalent privilege, and to knock down his 100-word maximum statement with a reply unlimited in length. In other words, management's reply benefits doubly from freedom from the restraint on verbiage and on adequate factual rebuttal.

The Commission's support of the situation loaded against the proposing stockholder is clearly demonstrated in its reply to a covering query formally put to it by Senator Lehman on behalf of the Senate Subcommittee. This,

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The State of Trade and Industry

Steel Production
Electric Output
Carloadings
Retail Trade
Commodity Price Index
Food Price Index
Auto Production
Business Failures

The trend of industrial production was mixed in the latest week with steel and automotive output continuing at a slower pace. Reports from the machine tool industry indicate that incoming orders for machine tools during May dropped 52% under the like period in 1956, touching the lowest level in more than two years. Orders also declined nearly 20% below April, continuing the drop of recent months at a sharper rate than industry leaders expected.

On the other hand, latest figures on electric power production, in keeping with the season, reflected a higher level, with some slight improvement noted in carloadings. Lumber output in the period ended June 15 rose 6.3% from the week preceding, but trailed the similar week of 1956 by 7.1%.

The lag in shoe production during the early months of 1957 will be more than made up by the gains recorded in recent months, estimates by the National Shoe Manufacturers Association, Inc., reveal. The industry turned out 49,100,000 pairs in May, an increase of 1.7% over last year. Preliminary estimates are for June production of 48,000,000 pairs, or an increase of 7.1% over last year.

Based on these estimates output for the first half of 1957 will be a record 307,954,000 pairs, or 0.3% ahead of a year ago.

In a summary of business conditions during June, the National Association of Purchasing Agents states that business is steady and good, "a nice situation without pressures of a boom, yet new orders production and profits are satisfactory."

It further noted in its survey that both commodity prices and employment show spotty changes with little effect on the overall trend. Lead, zinc, lubricating oil and brass ingot prices are lower; steel scrap, paper, raw sugar, electrical equipment and aluminum sulphate are higher."

Initial claims for unemployment insurance in the week ended June 15, declined 3,700 to 214,400, the United States Department of Labor reported. Total new claims, however, were higher than the 197,400 in the comparable week last year.

Insured unemployment, the agency notes, declined by 5,300 to 1,322,400 during the week ended June 8. This compared with 1,242,200 a year earlier. The latest declines in the latest period were in California, New York and Massachusetts.

In the steel industry, the latest report on Wednesday of this week is that the summer letdown in steel may not be so sharp as had been feared, according to "The Iron Age," national metalworking weekly. Output probably will dip to a low point in July, but a pick-up is expected to start in August, it states.

Some mills are beginning to feel better about July with auto companies showing tentative signs of life and at least one mill reporting a pick-up in auto orders heavy enough to strengthen July operating schedules.

Further support during the summer months will come from construction, oil and gas, shipbuilding and freight cars, all users of heavier steel products. The big push from automotive will make itself felt in late August.

Steel men are warning their customers that the market will tighten considerably by October and remain firm through the fourth quarter. As a result, overall output for the year may be the second largest in history—bigger than last year's 115,000,000 ingot tons, but maybe not so much as 1955's record 117,000,000 tons, adds this trade weekly.

An "Iron Age" survey of farm equipment makers indicates that the farmer is beginning to loosen his purse strings. Farm equipment sales in May reflected the usual seasonal drop, but they are running ahead of a year ago. Sales for the year may total $1,100,000,000 or 12% ahead of 1956. Higher prices will account for at least part of this heavier dollar volume.

The Supreme Court's decision in the du Pont case may have given the Justice Department a strong assist in its fight to block the proposed Bethlehem-Youngstown steel merger. Government attorneys believe the high court's upholding of Section 7 of the Clayton Act will strengthen their hand in the Bethlehem-Youngstown case. This section forbids any merger, combine, or acquisition that would bring a "probable lessening of competition or tendency to monopoly," concludes "The Iron Age."

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Growth and Financing Prospects Of the Coal Industry

By JOHN W. SPURDLE*
Dominick & Dominick, New York City

The generally underrated market view of coal investments; advantages and desirability of public offering of securities; and invaluable investment banking assist available to companies, are some of the principal topics assayed by New York investment banker in advising coal producers on financing their growth. In praising the coal industry's natural resource characteristics, determinable growth prospects and underlying soundness, Mr. Spurdle expects forward thinking companies will develop in a handsome and even spectacular way providing they solve management, reserves, and money problems.

There are some features of a public stock offering, including registration with the Securities and Exchange Commission, preparation of a prospectus, negotiation with an investment syndicate and — introduction to public stockholders, which corresponds to undressing in public and are not compatible with the historic practices in the coal industry. On the whole however the experience of financing through public offering of securities is a happy one and something which the coal industry should embrace enthusiastically. It is a sound thing to broaden the market of coal securities with a corresponding enlargement of public investment interest, aiding in the proper evaluation of going concerns.

John W. Spurdle

I would like to dwell on this subject for a moment. I will start in the terms of a single company —a good, prosperous, growing company.

Advantages of Wider Market

If it is privately owned with no public ownership or trading in its securities, and wishes to raise money to finance expansion, it probably can do so readily by borrowing from insurance companies, a pension fund and the like. It may not be hurt by lack of public market interest. However, its credit, and the terms on which it may borrow money, should be greatly improved by a wide market in its stock, even more so by listing on the NYSE and all of the publicity that attends the affairs of a publicly owned company. Incidentally, these factors do not hurt the business of the company.

*An address by Mr. Spurdle before the 40th Anniversary Convention of the National Coal Association, Washington, D. C., June 6, 1957.

If the same company had only a small amount of the stock in the hands of the public, either because it was closely held by family groups or because there were too few shares outstanding, it would be worse off in some respects than if there were no public holdings. Investors generally do not buy stocks which may not have a ready market when they may wish to sell them. This limits the field of interest to investors with special collateral aims and speculators. Such stocks may fluctuate violently on little trading, possibly to the detriment of the company's reputation, but the stocks prevailingly will sell below realistic investment value. This in turn is of no assistance to a company's credit and hardly a satisfaction to its family owners of securities.

It is easy to translate the comments in regard to a single company to apply to the entire coal industry. At the most less than 30% of the country's 1956 coal production is in the hands of independent companies, stock of which have a public market and few of these have the desirable features of broad marketability discussed above.

Probes Market's View of Coal

Over the past two years investor interest in the stocks of these coal companies has risen with the change in industry prospects and stock prices have advanced greatly. Nevertheless, the market evaluation of coal stocks still is generally inadequate, considering their natural resource characteristics, their growth prospects and the underlying soundness of the business. It is still a characteristic of the industry that the component properties and other assets of a company might be sold piecemeal to other companies with a higher realization than the price which its stock might bring in the market. Moreover, there is no inclination on the part of the public to place any particular value in appraisal of coal company stocks on coal reserves. Many crude oil producing companies are evaluated out of all relationship to their current or early prospective earning power because of public knowledge of their ownership of huge proven reserves of petroleum or natural gas. This is not true in bituminous coal, where the extent and value of reserves also can be determined. In fact, there is no particular differentiation made in stock evaluation between companies from the point of reserves, as long as they are not inadequate to sustain production for a reasonable period of time.

That this situation exists is a reflection of inadequate or immature investor knowledge of the industry, in part a result of the recency of the change in the economics of the coal industry and in part a lack of satisfactory market representation of coal company securities.

It may sound a little as though I had wandered from my basic subject—Financing the Growth of the Coal Industry—but I think that one can see that a foreword of this nature is useful in tackling the main theme.

The growth prospect in the coal industry is not, in the aggregate an outstanding thing in comparison to well defined trends in such fields as chemicals, electric power, paper and oil. Moreover, it is responsive growth — not directly generated by the industry itself. Nevertheless, it is real growth, with determinable prospects and it provides opportunities for individual companies to build business in a handsome and even spectacular way if they have the management, reserves and money to capitalize on the industry base.

Lack Capital and Executives

Within this generalization there are important limitations on the ambitions of many companies to get what they may regard as the key factor in this chance to grow —money.

Unless mining conditions are ideal, it is difficult to operate a small underground mine profitably. Today's operations require maximum mechanization. The capital investment involved creates a problem, not only in its accumulation or acquisition but also in obtaining a satisfactory return on its use, if the operation is not large enough or generally susceptible to mechanization. **Size**, both as to the operation and the company, is a limiting factor in financing.

Management is another significant consideration. Over the years, the coal industry probably has attracted less young executive potential than other industries as a field of promise. I believe that the situation is easier now but it probably is still more difficult to build depth and roundness in management in the coal industry than in other fields. Existing managements in many instances have been trained in adversity rather than opportunity. Also, family management has been more prevelant than in most industries.

A company seeking financial assistance will find it difficult to obtain money from either public or private sale of securities if it cannot demonstrate a sound management organization.

Other Prerequisites

Reserves are important, as to amount, economic location and susceptibility to efficient mining. To some extent reserve deficiencies can be cured through financing but there must be a base to assure the investor of continued profitable operation.

Finances, capital structure and **financial record** must stand scrutiny. A company does not seek new funds unless they are needed, but financing a cash deficiency which has arisen from improvidence, operation of uneconomic properties, overextension of resources and the like is not a proposition which has much appeal to the investment banker. Capital structure can be a problem. A company may have been forced in the past to borrow too heavily or may just have taken the easy way to borrow when it should have sought equity capital. Excessive debt not only affects the value of a company's securities, debt and stock, but may limit its ability to interest new investors.

Forward thinking is logically a most important factor in eligibility for financial aid. A phrase has been coined in the field which has real meaning—"Career Companies."

Unless a company has basic aims to take full advantage of the growth opportunities now existing in bituminous coal, and has well worked out plans to that end, involving the use of the money it seeks, financing is not readily available to it. This applies in any field of endeavor. New money must carry its own load and contribute something extra or it is not being used economically. Whether we are talking in terms of either debt or stock, the investor is entitled to know that his money is being used to build a value and that the company, as far as management aims and effort can achieve it, will succeed and progress. It is easy to see that a large, well financed, profitable bituminous coal producer with good properties and a strong and progressive management team will have little trouble in raising money. This is not as amusing as it may seem. This is the kind of company that can find profitable uses for new money. The obsolescence factor arising from the advancement of methods and equipment, moreover, is pretty hard to keep up with out of self generated funds, in even the most profitable companies.

Financing opportunities are not, of course, limited to companies which already are so well situated. Any company which can pass the tests which I have outlined certainly can explore the possibility of raising new money with every confidence. The most important of all of these factors is management-proven and aggressive management. The next most important consideration is size. This is a real problem for the coal industry. Those companies which have come through the difficult years in the industry successfully and which have moved ahead in the more recent period of opportunity, have done so largely through their ability to reduce operating costs to compensate for rising wage levels and this has been achieved primarily through efficient mechanization of operations.

There are size limitations as well as other factors which govern the extent to which mechanization can be employed. The coal industry is dominated by a few large companies but encompasses between 5,000 and 6,000 individual mines, most of which are separate operations. One spokesman after another in the bituminous coal industry has stated his belief that the future of the industry depends heavily upon the concentration of many of the small units to create more large companies. To be sure, a good number of the bituminous mines are so small that they have no bearing on the question.

There are many hundreds of companies, however, which are businesses in the true sense of the word but which can not afford to utilize fully the progressive methods of the larger companies nor do they have the operating prospects which would give them a base for raising sufficient money for the purpose. They can not conduct sales or arrange contracts in the manner of the larger companies. As a group, the smaller, yet possibly worthy companies have suffered from the

Continued on page 20

Stock Market Reflections

By GERALD M. LOEB*
Partner, E. F. Hutton & Co., New York City
Author: "The Battle for Investment Survival"

After evaluating the bearish and bullish indicators, Hutton's senior partner admits market risks are higher than they have been but denies an over-all bear market is in the making. Mr. Loeb advises young people contemplating making investments their basic work on the value of "concentration," and believes capital gains in the coming decade is more likely to be made "in relatively new and small and special situations . . . than in the already super-successful industrial giants." In disparaging industrial giants' growth prospects compared to lesser known but better situations apt to be found in the middle ground, the author-stockbroker disparages even more strongly obscure penny stocks and recommends they be left to the professionals. Stresses importance of earnings growth per share; specifies industries and firms where further opportunities exist; and notes opportunities available in such low rated groups as steel, rail and aircraft.

As I thought during my preparation for this contribution, I looked at a reprint of one of a series of Southern Railway System advertisements titled, "Grown Up or Growing Up—What a Difference It Makes." The one I looked at had a young couple rushing into the surf while an older man was standing hesitantly at the water's edge testing its temperature with his big toe. This somewhat reflects stock market thinking today. Some time ago I had a luncheon conference with several very able bankers engaged in managing investments. The younger bankers were all for buying this and that. The older bankers were for watching their step.

G. M. Loeb

I want to try to be open-minded rather than completely conditioned by experience. Likewise, I want to try to keep you from being over-enthusiastic completely from lack of experience.

Most people who are vocal about stocks these days tend to talk about the last ten years. They do it partly because it is a convenient period of time. But, more important, they do it because people who talk about stocks tend to take the optimistic side and the last ten years makes a very pretty picture.

Rising Background of Equities

In fact, you can go back further than that and get a good picture. Broadly speaking, stocks have been going up since 1932. The first big surge was for five years from 1932 to 1937. Then, they went down for five years from 1937 to 1942. Next came four years up from 1942 to 1946. 1946 to 1949 was in a way a period characterized by three years of sideways movement but many individual stocks made quite good headway during this period. Finally, you have the last upswing of seven years from 1949 to 1956, or ten years from 1946 to 1956, if you would prefer to count it that way. Since then, we have been going sideways again. In fact, I would say we have been going sideways since the summer of 1955.

All of this is expressed in terms of Averages. They used to mean a lot. I feel, however, they don't mean as much now. The big question is whether they will mean something again in the future and, if so, how soon.

This rising background of equities is partly explained by the decreasing value of the dollar. The cold war has played an important part in depreciating the currency and stimulating employment and manufacturing. Redistribution of wealth has been a factor in fostering a greatly increased circle of consumers and a higher standard of living. The improvement of production and distribution methods has been an element of genuine growth in the situation.

All movements tend to feed on themselves and gain momentum as they go along. In this respect, they do not differ from the traditional snowball. Thus, as year after year rolls by more and more people wake up to a shrinkage in the value of their fixed dollar investments and an increase in the value of their equity investments. One by one they lose their fear of the stock market which among the older ones originates from the 1929 decline and among the younger ones from lack of knowledge or from views inherited from their elders. Consequently, the market price for a dollar of earnings has been going up. Since 1949, the average price earnings ratio has nearly doubled. Equally as important, earnings have doubled in this period as well. Thus, it is easy to see why the market record is so favorable.

In considering the market outlook, it naturally breaks down into two separate parts. The first is the outlook for stocks in general. The second is the outlook for specific securities within the general frame.

We said earlier that the movements we mentioned were movements of the averages. Money can not be made directly from averages but must be made from buying specific securities. The movements of the averages, which have been principally up for a sustained time, have favored making profits in correctly selected situations. It is immeasurably simpler to analyze individual investments when they can be compared to clear and broad market trends. The importance of the general market is that in the final analysis all shares sell in competition with the other and if the broad background of the averages deteriorates sufficiently an individual bullish analysis can be badly upset.

In a way, I like to test the progress made by individual issues in periods such as 1929 to 1955, or 1930 to 1937, or 1937 to 1946, or 1955 to 1957. In all these periods it is possible to pick dates where most of the averages made tops or bottoms. Then, if you look at individual issues you can tell whether they went ahead or fell behind. When the tide is coming in, as it has been more or less since 1932, a stock moving slower than the tide can still appear to be moving up.

Bullish and Bearish Signs

On the bullish side, I think we are living in an era of optimism. We have inflation and everyone seems sure that inflation will at least moderately continue. Politically, however, it is still popular. Despite all the talk of a cutback in military expenditures I expect the results will be less drastic than feared. The Averages apparently continue to go up and there are enough plus signs among individual issues and enough new highs to create a generally bullish stock market atmosphere.

On the other hand, we have the signs of caution. Money is tight. In recent years everybody has developed a sort of bearish feeling about money. This is because it has been cheap and plentiful and has also been losing value. This does not mean that this will always be the pattern. It has since changed but it takes a long time to get people to believe in a change. After the 1929-1932 period, it took many years for people to feel that hoarding dollars wasn't the safest thing to do. Now people are so used to seeing stocks go up and dollars go down that tighter money doesn't mean much more to them than perhaps a temporary phenomenum.

The business picture, too, isn't realy all its cracked up to be. There are many industries that are concerned with either overproduction or narrowing profit margins. Here, too, it takes a long time to get people to believe in a change. The popular thing today is to be so sure of long-term growth and prosperity that if there is some over-production or a profit squeeze it is thought that it is still all right to go ahead and increase production some more because in the long-run or the long-view, as some like to say, it will be necessary.

Cites Bearish Examples

Recent examples of the disturbing industrial news is the decline in the price of copper, the state of oversupply in refined petroleum products and the decline of freight carloadings and railroad earnings in general. The recent cut in copper prices brings it to the 29 cent per pound level compared to 46 cents during the early months of 1956. One of the best monthly petroleum reviews voices concern about the economic feasability of recent price rises in refined petroleum products in light of the general oversupply. Pennsylvania Railroad's May earnings were off 57% from last year's results. While these items have been discounted somewhat in the market and do not necessarily herald an over-all bear market, they do show that growth and inflation are not one-way streets.

The third factor in the over-all picture is the international situation. Lately, the news has suggested that it is getting better. Personally, I think the rate of improvement will be very, very slow. In a basic sort of a way, peace and a predictable international situation are the best things that could happen to any of us. However, in another sense, a certain amount of international tension means an insured high level of defense production and thus bolsters the over-all economy. It is unsound bolstering, of course. If the situation gets too tense, it would call for controls which blanket and restrict the economy.

The final factor in over-all analysis is the technical situation of the market itself. I have already said that we are living in a period of optimism and that means that by past standards the market position is weak. More people are borrowing money and they are borrowing more money than they have done for a long time to own stocks. We have more new stockholders. The small stock buyer—the man who buys lots of less than 100 shares—has taken an enormous amount of stock out of the market in the last couple of years.

Now, the answer to the market trend or the market price level is never absolute. In the final analysis, it is fixed partly by the hopes or fears of investors. It is also partly fixed by the state of the investors' pocketbook.

I fear the answer now as to the future outlook goes back to our picture of "Grown Up or Growing Up." The more experienced are almost certain to be cautious. They are the ones who will talk about high loans, and new stockholders and odd-lot buying. They are the ones who will talk about tight money, over-production and profit squeezes.

The less experienced will compare the loans with values and will find the ratio to be low. They will welcome the new stockholders and say it is good for the country and that we need a lot more. They will think it is natural for new stockholders to buy odd lots. They will point out that if money is more costly they can take part of the cost off of their income tax and that it does not mean much if the profit potentials are large enough. The over-production and profit squeeze, according to them, is temporary. They feel increasing population will cure that quickly enough.

My own conclusion is that while I think the risks in the market are certainly higher than they have been, it is difficult to conclude that an over-all bear market is in the making.

I find some safety in the diverse trends of the different industry groups. I think disposable income and consumption will remain relatively high. Thus, I am hopeful that by buying and selling at the right time and buying and selling the right securities, profits can still be made in the stock market.

Considers Individual Stocks

Now I shall turn to individual stock selection considering the prospects of the over-all market. Last autumn, I suggested that the best profits in the next few years would come from **avoiding** over-diversification among the so-called favorite 50—finding a new key to market profits instead of trying to use the old one that everybody already knows and by charting an investment policy on a less optimistic basis than experienced in the last surging decade. I don't see any reason to change that view now.

Before getting more specific,

*An address by Mr. Loeb before the University of Vermont Business Students attending a special lecture course at Chase Manhattan Bank Building, New York City, June 26, 1957.

this might be a good spot to point out that any advice has to be tailored to the abilities and opportunities of the people for whom it is intended. What I am stating is directed to a group of young men who are studying to make investment their basic work in life. Every now and then somebody comes along and says I am inconsistent. This is not true. It is only that one man's meat is another man's poison. I know that all big fortunes are made only by concentration. I might say by both concentration and risk taking. This does not mean that some widow somewhere who perhaps can not even read the financial page of the newspaper should follow such a policy. She simply has to put half her money into an investment trust and half her money in government bonds, and that's that.

I also hear a great deal of talk about investment vs. speculation. Speaking loosely I suppose investment to most people means thinking of income and dollar safety. Speculation perhaps means to think of capital gains and increased risks. It has always been my experience that a good investment must also be a good speculation. I prefer to discard all these terms and suggest that one should simply concentrate his efforts when he goes out into the business world on making money.

Prefers the New and Small to Giants

I have the feeling that more money is going to be made in relatively new and small and special situations in the next 10 years than in the big already supersuccessful industrial giants. I have the impression that smaller companies did fairly well up to 1946. Since then, except in a few relatively exceptional fields and cases, I think the most money has been in the leaders. Now I think that it will be safer to try and make money by either selecting the right leaders or selecting the right times to buy them or perhaps more important by uncovering lesser known situations.

As a general rule to making money in the stock market I always weigh what I think I can make against several factors. Let's take General Motors, for an example. It is listed on the New York Stock Exchange. It has a big market. Information concerning operations is pretty general. It is good collateral at the bank. Marketwise you could have doubled your money in the two years 1949 to 1950. The stock sold at 18 in 1953 and 54 in 1955. If you can make that much money that fast in a leader, why look elsewhere?

Before I would go to a less active stock or a stock traded on a smaller or regional exchange or an unlisted or foreign stock, I want something extra for what I give up. This can be apparently greater profit potential—or a special source of information, etc.

Tells Tyros to Avoid Penny Stocks

Now I know from experience that only too many young people and people new to the stock market think the only path to profit is in some obscure penny stock. They seem to think that the only way to profit is to buy something unknown and cheap as far as the dollar price is concerned. Ninety-nine times out of 100, as far as the tyro is concerned, this is the best way to lose money. It is only the professional and the very hardened one who has the ability to single out something of this kind that is worth the risk.

Let's get back to bigness again in another way. This is a wonderful country when you stop to think of it. Look at General Motors again. In 1941, its sales were $2½ billion. By 1948, they were $5 billion. This increase took 8 years. Five years later, in 1953, they hit $10 billion. The big question now is how long will it take until they hit $20 billion. I cite these figures to show that you need not be afraid of size. On the other hand, there is a limit to all things. My own feeling is that while every situation has to be weighed on its own merits, currently the best situations are apt to be found in the middle ground. It is going to be tough to make a $10 billion corporation a $20 billion corporation. It is also going to be tough to make a very small company grow against today's competition.

I was out in Los Angeles last summer. This is a great area for small electronics growth companies. There are, I was told, something like 450 of them in the area. I would bet dollars to doughnuts that the great majority of these companies grow in gross but not in the critical dimension of net per share. Growth in net earnings and working capital per share are the things which really count.

I am probably going to disappoint some by not providing any tips to buy such-and-such a special situation that will make one rich quick. I am simply going to try and point out some directions where some research on one's own should be the most profitable.

I read an article not so long ago where the author tested the results of a great many different methods of forecasting future stock market prices. Of the tests he made practically all fell by the wayside with two exceptions. They were seemingly that the stocks which had the highest price earnings ratios and the lowest current yields were the best buys.

Nobody can follow any rule blindly. It has been my experience, however, that this is one of the good directions in which to look. Broadly speaking, it is the amateur who thinks that the stock which pays the biggest dividend or sells the cheapest in relation to its earnings or for that matter sells at the lowest dollar price is the best buy.

Of course, if you buy stocks with high price earnings ratios and low yields you have in a way let somebody beat you to the post. Because sometime in the past they did not command these premiums. The ultimate profit in the stock market comes from anticipating industries or stocks where the price earnings ratio will grow more favorable and where the acceptable yield will gradually decrease.

Specifies Further Opportunities

Turning to specific industries, among those already rated very high in relation to earnings, I still think further opportunities exist in the office equipment, chemical, utilities, electrical equipment and crude petroleum shares. The price earnings ratios are high but I think the values and the future are high as well. Some of the individual stocks still worth looking at in these groups include International Business Machines, Minnesota Mining, Dow Chemical, duPont, Corning Glass, El Paso Natural Gas, Minneapolis Honeywell, General Electric, Superior Oil, Amerada, Continental Oil, etc. While some are in the favorite 50, remember I cautioned against overdiversification in this group but not selectivity. I think there are also opoprtunities in aircraft, automobile, steel, entertainment, machinery, rubber, rails, paper, aluminum and mining groups. And, of course, in the special situations. The latter are almost exclusively personal and depend upon the individual connections of each of us.

Opportunities in Low Rated Industries

Let's examine some of these industries, this time starting at the bottom of the list and consider

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Dealer-Broker Investment Recommendations & Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

Atomic Letter (No. 27) — Comments on high energy fuels, Euratom requirements for atomic power, **United Western Minerals Company, Vaal Reefs Exploration & Mining Co., Ltd., El Paso Natural Gas Co.,** and **Daystrom, Inc.**—Atomic Development Mutual Fund, Inc., Dept. C, 1033 30th Street, N. W., Washington 7, D. C.

Burnham View — Monthly investment letter — Burnham and Company, 15 Broad Street, New York 5, N. Y. Also available is current **Foreign Letter.**

CLIC—Booklet describing Carl Location Information Center of Chesapeake & Ohio Railway—Chesapeake & Ohio Railway, 3809 Terminal Tower, Cleveland 1, Ohio.

Canadian Business Review—Monthly report on Canadian economic news—Bank of Montreal, Montreal, Que., Canada (New York office 64 Wall Street, New York 5, N. Y.)

Canadian Investment Bulletin—Discussion of Canadian business developments—Ross, Knowles & Co., Ltd., 25 Adelaide Street, West, Toronto, Ont., Canada. Also available is a bulletin on the **Electrical Industry in Canada.**

Canadian Investors Digest—Monthly report—Wills, Bickle & Company Limited, 44 King Street, West, Toronto 1, Ont., Canada.

Canadian Review — Monthly discussion of current Canadian economic matters—The Bank of Nova Scotia, 44 King Street, West, Toronto, Ont., Canada (New York office 37 Wall Street, New York 5, N. Y.)

Inflation Hedge—Suggested portfolio to yield 6%—Peter P. McDermott & Co., 42 Broadway, New York 4, N. Y. Also available is a bulletin on **Bargain Basement Railroads.**

Japanese Stocks — Current information — Yamaichi Securities Company of New York, Inc., 111 Broadway, New York 7, New York.

Japanese Stock Market—Review—Nomura Securities Co., Ltd., 61 Broadway, New York 6, N. Y.

Market Review—Study—Harris, Upham & Co., 120 Broadway, New York 5, N. Y.

More Research . . .or Else —Hiighlights No. 33 — Troster, Singer & Co., 74 Trinity Place, New York 6, N. Y.

Myers' Oil Markets—Market letter—10 weeks trial subscription $5.00; 1 year, $50.00—Myers' Oil Markets, 510 Fifth Street, West, Calgary, Alta., Canada.

Over-the-Counter Index—Folder showing an up-to-date comparison between the listed industrial stocks used in the Dow-Jones Averages and the 35 over-the-counter industrial stocks used in the National Quotation Bureau Averages, both as to yield and market performance over a 13-year period — National Quotation Bureau, Inc., 46 Front Street, New York 4, N. Y.

Securities Outlook for the Investor and Business Executive—Brochure—G. H. Walker & Co., 1 Wall Street, New York 5, N. Y.

Tax Exempt vs. Taxable Securities—Bulletin—C. J. Devine & Co., 48 Wall Street, New York 5, N. Y.

Treasure Chest in the Growing West—Booklet describing industrial opportunities in area served—Utah Power & Light Co., Dept. K, Box 899, Salt Lake City 10, Utah.

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Allied Laboratories — Analysis — Blair & Co. Incorporated, 20 Broad Street, New York 5, N. Y. Also available is a study of **Continental Aviation and Engineering Corp.**

American Tobacco—Data—Herbert E. Stern & Co., 52 Wall Street, New York 5, N. Y. Also in the same bulletin are data on **ACF Industries.**

Bristol Myers Company—Analysis—Vilas & Hickey, 26 Broadway, New York 4, N. Y.

Canada Iron Foundries Limited — Analysis — Burns Bros. & Company Limited, 44 King Street, West, Toronto 1, Ont., Canada.

Clayton Mark & Co.—Analysis—Hayden, Stone & Co., 25 Broad Street, New York 5, N. Y. Also available is a report on **Vitro Corporation of America.**

Deere & Co.—Memorandum—Auchincloss, Parker & Redpath, 725 Fifteenth Street, N. W., Washington 5, D. C. Also available is a memorandum on **Royal McBee Corp.**

First National City Bank of New York—Table of related prices First Boston Corporation, 15 Broad Street, New York 5, N. Y.

Food Machinery & Chemical—Memorandum—Green, Ellis & Anderson, 61 Broadway, New York 6, N. Y.

Greyhound Corporation — Analysis — Bache & Co., 36 Wall Street, New York 5, N. Y. Also available are bulletins on **Atlantic Coast Line, Harshaw Chemical,** and **Filtrol Corp.**

Grinnell Corp. — Memorandum — P. W. Brooks & Co., 115 Broadway, New York 6, N. Y.

International Harvester Company—Analysis—Glore, Forgan & Co., 40 Wall Street, New York 5, N. Y.

Koehring & Co.—Analysis—du Pont, Homsey & Company, 31 Milk Street, Boston 9, Mass.

Kroger Co. — Bulletin — Weston Smith Associates, 33 Rector Street, New York 6, N. Y.

Masco Screw Products Co.—Memorandum—Wm. C. Roney & Co., Buhl Building, Detroit 26, Mich. Also available are memoranda on **Portsmouth Steel Corp., Scotten, Dillon Co., Standard Tube Co.** and **United Shirt Distributors, Inc.**

Midwestern Instruments, Inc. — Analysis — General Investing Corp., 80 Wall Street, New York 5, N. Y.

Minerals & Chemicals Corporation of America — Analysis — Harris, Upham & Co., 120 Broadway, New York 5, N. Y. Also available is an analysis of **Pennroad Corp.**

New York Capital Fund of Canada, Ltd.—Semi-annual report —Carl M. Loeb, Rhoades & Co., 42 Wall Street, New York 5, N. Y.

Northern Pacific—Data—Joseph Faroll & Co., 29 Broadway, New York 6, N. Y. Also available are data on **Union Pacific.**

Orradio Industries, Inc. — Analysis — S. D. Fuller & Co., 39 Broadway, New York 6, N. Y.

N. V. Philips Gloeilampenfabrieken—Memorandum—Burnham & Company, 15 Broad Street, New York 5, N. Y.

Spokane Natural Gas Company—Analysis—H. Hentz & Co., 72 Wall Street, New York 5, N. Y.

Standard Packaging Corporation—Analysis—Purcell & Co., 50 Broadway, New York 4, N. Y. Also available is a study of **American Gas & Electric Company.**

J. P. Stevens & Company, Inc.—Report—Thomson & McKinnon, 11 Wall Street, New York 5, N. Y.

Supercrete Ltd. — Analysis — Annett and Company, 335 Bay Street, Toronto 1, Ont., Canada.

Union Carbide Corporation—Analysis—Dominick & Dominick, 14 Wall Street, New York 5, N. Y.

United States Steel Corporation — Analysis — E. F. Hutton & Company, 61 Broadway, New York 6, N. Y.

United States Trust Company of New York—Bulletin—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

United Utilities Inc.—Memorandum—Doyle, O'Connor & Co., 135 South La Salle Street, Chicago 3, Ill.

Washington Suburban Sanitary District, Md.—Bonds—Report —Kidder, Peabody & Co., 17 Wall Street, New York 5, N. Y.

Worthington Corporation — Analysis — McDonnell & Co., 120 Broadway, New York 5, N. Y.

Harold Barclay Joins Paine, Webber Co.

Harold Barclay

CHICAGO, Ill.—Harold Barclay, who formerly headed his own business, the Barclay Investment Co., has joined the investment firm of Paine, Webber, Jackson & Curtis. He will be located in the Chicago office, 209 South La Salle Street.

Mr. Barclay has been in the investment business for 42 years, having begun his career in 1915 with Lester Carter & Co. He formed the firm bearing his name in 1947.

Don E. Foster, previously with Bache & Co., has also joined the staff of Paine, Webber, Jackson & Curtis.

With Wulff Hansen

(Special to The Financial Chronicle)

SAN JOSE, Calif. — Joseph E. Stephenson is now with Wulff, Hansen & Co., Burrell Building.

McGinty Edman Add

(Special to The Financial Chronicle)

FAIRFIELD, Calif.—Joseph W. Dochnahl has been added to the staff of McGinty & Edman, Government Employees Building.

Joins Hall & Hall

(Special to The Financial Chronicle)

FRESNO, Calif. — Layton W. Martin has joined the staff of Hall & Hall, Bank of America Building.

With Shuman, Agnew

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—John R. Shuman is now with Shuman, Agnew & Co., 155 Sansome Street, members of the New York and Pacific Coast Stock Exchanges.

Joins Walston Staff

(Special to The Financial Chronicle)

MODESTO, Calif. — Ralph C. Nicholson has become affiliated with Walston & Co., Inc., 1028 11th Street. He was formerly with Dean Witter & Co.

With Interstate Secs.

(Special to The Financial Chronicle)

ATLANTA, Ga. — Richard W. Cheatham is now with Interstate Securities Corporation, Fulton National Bank Building.

Three Speculations

By IRA U. COBLEIGH

Enterprise Economist

Providing some notes on three quite diverse companies—in gas, air and electronics—whose shares, listed on Toronto Exchange, makes some appeal to the venturesome.

After devoting some weeks in these columns to viewing equities in mature and even majestic companies such as General Electric, Corning Glass, American Machine and Foundry and Texas Utilities, we now offer some fare for those of a more speculative turn of mind. And, quite at random, our gaze fell on three companies, in three industries, and three different stages of corporate development.

Ira U. Cobleigh

The first is the best known — **Great Northern Gas Utilities Ltd.** This is a rapidly growing public utility serving natural gas to a dynamic group of towns in Central Alberta, including Athabasca, St. Paul, Leduc, Calmar, Hanna and Drumheller. In British Columbia, Fort St. John, the most rapidly-growing community in the eastern part of this province, is a burgeoning market for the natural gas supplied by Great Northern. In the southwest section of British Columbia, Bottled Gas Ltd. supplies LPG around Victoria and Vancouver, and in such mainland towns as Kamloops, Vernon and Hope.

Perhaps the brightest prospects for Great Northern Gas Utilities relate to gas distribution from off the Trans-Canada Pipe Line. Brandon, the second largest city in Manitoba, is under franchise to receive gas from the Alberta-Manitoba branch of the line. In Ontario, Great Northern, through its 33⅓% interest in Lakeland Natural Gas Limited, shares in the franchise to serve 18 towns along the Toronto-Montreal section of the new pipeline. Further, in Ontario, the company presently delivers manufactured gas to Sault Ste. Marie, and bottled gas to neighboring towns, including radioactived Blind River.

Because Great Northern has opportunity to share in the broadened gas distribution in so many favorable sections of Canada, its common stock has developed a sizable market following. The New York Capital Fund and the Scudder Fund of Canada are both stockholders. Earnings per share have advanced to 29 cents in 1954, to 39 cents in 1955, and 46 cents in 1956. The stock is currently selling around 9½. If you seek investment a little higher up the corporate ladder, there's an issue of \$2.50 preferred, selling at 42, a recent issue of \$2.80 preferred, each share carrying a warrant for purchase of the common at \$7 till 1960, selling at 51, and an issue of 4½% debentures due May 15, 1975 selling around 96 carrying warrants (per \$1000 bond) to purchase 35 shares of common at \$5, till Dec. 14, 1958 and on a price scale-up after that.

Great Northern Gas common has been around long enough to become seasoned, and presents today a legitimate speculative vehicle, if you feel the gas industry in Canada has a bright future. (We think it does.)

The second company we wanted to look at was **Spartan Air Services Ltd.** We all have come to appreciate the importance of the science of aerial survey as the modern speed up technique to replace a battery of engineers, geologists or foresters plodding over rugged, overgrown and remote terrains on foot in search of timber, ore bodies, or petroleum. Well, Spartan Air Services is now the third largest air explorations and survey company. Although in business for only 10 years, Spartan is a leader in aerial photography, having performed major contracts for the governments of the United States and Canada, as well as for many private companies.

For major mining and oil companies, Spartan has made airborne geophysical surveys all over the world, and has complete magnetometer and gravitometer equipment. Spartan also provides an engineering, development and planning service staffed by experts in geology, geophysics, soil chemistry and forestry.

In point of equipment, Spartan has 27 fixed wing aircraft, 20 helicopters, plus additional flying equipment on order; and the most modern repair, service and maintenance facilities for helicopters.

Whether over the moose pastures of Canada, the tin terrain of Malaya or hunting for minerals in Kenya, Spartan aerial mapping, surveying, photographing and electronic probing are speeding the job of prospecting and surveying. Oil and mining companies have achieved big savings in money and time, and made amazing mineral "finds" by delineations of petroleum acreage and base metal deposits from the air.

This aerial reconnaissance is a burgeoning new industry, and Spartan Air Services, because of its equipment, know-how and established reputation should continue to prosper. There are millions of square miles of the earth's crust concealing billions in minerals and oil, just waiting to be located. Air surveys, electronic detection, and altitude photography are the answer, which Spartan supplies.

Investors attracted to this industry will do well to look at Spartan securities. These are of three sorts. First there's an issue of \$1,500,000 6% debentures now selling around 109. Each \$1000 bond bears a warrant to purchase, through Jan. 1, 1962, 100 shares of Spartan common at \$10 per share. The common, listed in Toronto, sells at 10¼ and the warrant traded separately sells around \$4. Spartan should gross above \$5 million this year and the net may run above \$2.30 per share. A lively company in an up-to-the-minute industry—but a speculation withal.

The third company on our list is a budding electronic one, **Analogue Controls, Inc.** and it's unusual in that it's an American company (plant in Mineola, Long Island) but its common has recently been listed in Toronto. The principal products are electro-mechanical components, including precision potentiometers. Now in case you don't happen to know what a potentiometer is, it's an instrument for measuring or comparing voltages. It operates by converting mechanical motion into an electrical equivalent, and has broad application in a diversity of control and computing devices. Now any eager beaver electronic ham could make a potentiometer of sorts, but the trick is to make 'em precise. Well, Analogue Controls produces potentiometers with linearities of 0.002%, which is as high an accuracy factor as any in the world. One of the most important uses of these gadgets is in guided missiles. After all, if an unmanned big bullet is to be built to go 5,000 miles in 20 minutes and hit a square mile target on the nose, the electronic controls have to be virtually flawless. Analogue Controls Inc. seems to have qualified on this precision count since it is producing a potentiometer for the Titan guided missile, and has built a prototype precision potentiometer for use in the advanced Matador missile, and the Sargeant missile.

The President of Analogue Controls Inc. Mr. Karl Birken, is a highly competent research scientist, formerly with Litton Industries. He is responsible for both the design and contruction of a basic servo-mechanism winding machine in the company's plant.

Customers of the company include some very big names in the electronic industry such as General Electric, Hazeltine, Sperry Rand, General Motors and North American Aviation. Sales are advancing rapidly, and gross in the neighborhood of \$1,400,000, with net of around \$175,000 have been projected for 1957.

Analogue Controls, Inc. is a small company but it seems to be carving a name for itself in product quality. As a speculation in an early stage electronic enterprise which appears to be well managed, the common, around \$3, may look interesting to professional and hardy risk takers. For accurate financial details you are referred to the Toronto Stock Exchange listing statement dated May 31, 1957.

The Toronto board presents, of course, hundreds of other issues, many no doubt of considerable speculative merit such as **Provo Gas** at \$3.30 with its coming new outlets, **Security Freehold,** a lively and well run oil-land play at \$6.40, and **Kilembe Cobalt,** a potentially low cost African copper producer with common near an all-time low of around \$2. Now, none of these are for investors. They're for people with sporting blood who can afford a loss, and who can view with unruffled and serene mind, wide market swings. If you fill this definition of a speculator, then some of the hopefuls we've outlined today may lure you sufficiently to delve further into the detailed facts, a process indispensable to any intelligent security selection.

Filor Bullard Partner

Filor, Bullard & Smyth, 26 Broadway, New York City, members of the New York Stock Exchange on July 1st will admit Stephen D. Reynolds to limited partnership.

Financing Capital Requirements Under Present Economic Trends

By RAYMOND RODGERS*

Professor of Banking, Graduate School of Business Administration
School of Commerce, Accounts, and Finance
New York University

Prominent banking professor advises corporations to finance their capital requirements through debt rather than equities, under present conditions, even though the economy has lost its strong upward surge. Professor Rodgers offers this advice on the basis of his analysis of the long-range outlook of the dollar's purchasing power, and of the government's dilemma and/or ability to employ stringent fiscal and monetary discipline in view of the 1946 Employment Act.

The American economy has lost its strong upward surge. In a period of uncertainty, it is wise to start any economic analysis with an enumeration of the more important factors of which we can be certain.

Raymond Rodgers

Any such listing would, undoubtedly, include the following, as they may be taken as almost axiomatic:

(1) Government expenditures at both Federal and local levels will continue to rise.

(2) Relations with the Soviet Union will continue to be strained, but there is no danger of global war.

(3) There will be no real solution of the Middle East unrest in the foreseeable future.

(4) Wages and disposable income will continue to rise during the remainder of the year.

(5) The cost of living will increase even further.

As all of these have an inflationary aspect, it is clear that prices will be even more important to businessmen in the future than in the past. In recent months, wholesale prices have remained relatively stable, but consumer prices have steadily risen. As increases in consumer prices automatically cause increases in the wages of some four million workers, to say nothing of furnishing live economic ammunition at the bargaining table on future negotiations, the long-range outlook for the purchasing power of the dollar will be analyzed.

Factors Affecting Prices

Price Outlook. A decline in the purchasing power of a currency can be brought about by any one, in sufficient degree, or by a combination of the three following forces:

(1) **Monetary disturbances** or a material increase in the money supply caused by large Federal deficits can reduce the value of the dollar. The sharp increase in commodity prices from 1946-48 was caused by this force. During the war, the deficit of the government was very large. The banks, acting as the residual buyers of government securities, absorbed a large amount of government obligations, with the result that deposits increased very sharply. So long as the economy was under direct government controls—price-wage controls, rationing, etc.—the increase in the money supply could not have its full effect on the movement of commodity prices. The moment these controls were removed, however, prices moved up rapidly. Monetary disturbances caused by government deficits are not a factor at present. The budget has, in general, been balanced and, what is more important, the holding of government securities by the commercial banks has decreased considerably.

(2) **Excessive use of bank credit** by the private sector of the economy can also cause a sharp increase in the money supply and, thus, an increase in prices, i.e., a decline in the purchasing power of the dollar. This, also, has not occurred during the past two years. While the volume of bank loans increased materially during 1955 and 1956, the money supply remained practically unchanged, because the increase in loans was counteracted by the decrease in holdings of securities by the commercial banks. In fact, some even argue that the money supply is not adequate to meet the present demand, as is evidenced by the increase in turnover (velocity) of bank deposits:

(3) **A wage-price spiral** is the other basic force which can drive prices upward. A constant increase in wages without corresponding improvement in efficiency (output per man-hour) can cause a decline in the purchasing power of the dollar. This wage-price spiral is the principal cause for the rather sharp increase in commodity prices that has taken place in recent years.

Since 1947 wages have risen more rapidly than output per manhour. This, in itself, other things being equal, forces an increase in prices. But, in addition, there is another basic trend in our economy which has an important bearing on the purchasing power of the dollar. Moreover, this factor may become even more marked on the future purchasing power of the dollar.

This new pressure is the continuing tendency for workers in the service industries to increase at a faster pace than those in production. Whereas, in manufacturing, mining and agriculture, it is possible to increase the output per man-hour by the installation of new labor-saving devices, in services increased efficiency is very difficult, if not impossible. Nonetheless, as wages go up in manufacturing industries, it is also necessary to increase those in the service industries, with the result that a rise in the consumers price index is inevitable.

Moreover, the consumer index also includes taxes, rent and transportation. As is well known, local taxes have increased almost annually, and the end, unfortunately, is not in sight. Rent costs also have risen steadily and the cost of transportation has continued to grow.

All these factors combined have caused the consumer index to move steadily upward, which affects not only wages and, thus, the general cost of doing business, but, also, the purchasing power of the dollar.

Sees Business Costs Rising

Is There No Escape? How long can this situation last and what will the consequences be? Obviously, it is not possible to foretell with any certainty when the forces of inflation will come to an end. In fact, *as of now*, the "cards are stacked" against such a development, as the following upward pressures indicate:

(1) There is a strong inflation bias in goverment, as is evidenced by the large expenditures of the Federal Government, the farm price policy, stockpiling, etc. All these factors obviously contribute to inflationary pressures.

(2) It costs more to secure many raw materials since some of the best sources of such materials have been used up. A good example is the growing extent to which American industry has to go far afield to obtain iron ore.

(3) The cost of transporting goods is rising and this, apparently, will continue

(4) Organized labor has adopted a policy of demanding an increase in wages and more and more fringe benefits each year. The cost of doing business therefore, despite the efforts of management to increase efficiency, will not only remain high but will continue to increase.

(5) Interest rates and corporate taxes also are elements of cost which, wherever possible are shifted to the ultimate consumer. Corporate taxes are very high, and while it is possible that in the foreseeable future the corporate tax rate may do down to 50%, anything much below that level cannot be expected for a long time. It is also fairly certain that interest rates will not go back to the levels of 1934-1951.

As the above factors indicate, it now seems that the cost of doing business must be expected to rise. Such an increase inevitably will have an impact on prices and, thus, on the purchasing power of the dollar. To be sure, competition — and this will become even keener — will play an important role in restraining this upward trend of prices. Nonetheless, it must be frankly faced that when the cost of doing business goes up, although keen competition may squeeze profits, this cannot go on indefinitely, as the profit margin is soon exhausted under such circumstances.

No Easy Solution

What Could Be Done? Are there any ways to stop this inflation trend? The two principal forces at the disposal of the government are fiscal discipline and monetary discipline. Fiscal discipline means, primarily, that the government in periods of good business activity has a substantial budget surplus which it uses to reduce the public debt. As such discipline has not been practiced since 1953. it is not likely to be invoked willingly in the future.

Of course, monetary control, if drastic enough, could cure the forces of inflation. Such Draconian credit measures would have the following effects: (a) They would drastically reduce the availability of bank credit. (b) They would make money rates higher and would make it extremely difficult for commercial banks to extend loans to new customers or renew old loans. Naturally, this would force industry to liquidate inventory and to curtail activity. This, in turn, would lead to large-scale unemployment and reduction in sale of goods, which would reduce the demands of organized labor and, thus, bring the basic forces of inflation to an end.

Again, it must be frankly faced that no central bank in a democracy such as ours would dare to adopt such drastic credit restrictive measures that large-scale unemployment would be inevitable. In fact, in this country it would run counter to the clear mandate of the Employment Act of 1946.

Business Policy on the Dollar

As this analysis indicates, under present political and social conditions, the long-term trend in the purchasing power of the dollar is downward. This decline will certainly not be precipitous: in fact, during times of business readjustment, such as we now face, the decline will even be reversed and the dollar will become more valuable for a while. But, as it now appears that the forces I have enumerated will continue to operate, businessmen should plan on the assumption (which I certainly *hope* is incorrect!) that the value of the dollar in the years to come will not be higher than at present and very likely will be lower. The steps to be taken will, naturally, vary considerably from business to business; but it does seem clear that, as far as corporations are concerned, it is more advisable under the present outlook to finance capital requirements through debt increase than through the sale of equities. This seems wise because it is fairly certain that a debt of, say, a 20-year maturity will be repaid in cheaper dollars!

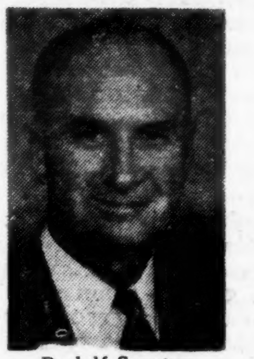
Conclusions

(1) The constant increase in the cost of doing business is bound to have an effect on the purchasing power of the dollar. The process of inflation, it now appears, will continue, although not at the same rate as in 1956.

(2) Continuation of the increase in the cost of production and decline in the value of the dollar will cause further mergers and liquidations. Moreover, it makes it advisable for corporations to finance their capital requirements through bonds rather than through equities.

*An address by Mr. Rodgers at the National Plant Food Institute, Greenbrier, White Sulphur Springs, Va., June 11, 1957.

Rudolf Smutny to Be Pressprich Partner



Rudolf Smutny

Rudolf Smutny on July 1 will be admitted to partnership in R. W. Pressprich & Co., 48 Wall St., New York City, members of the New York Stock Exchange. Mr. Smutny was formerly a partner in Salomon Brothers & Hutzler.

De Haven & Townsend To Admit McLear

PHILADELPHIA, Pa.—On July 3, De Haven & Townsend, Crouter & Bodine, Land Title Building, members of the New York and Philadelphia-Baltimore Stock Exchanges, will admit William Z. McLear to partnership. Mr. McLear was formerly an officer of Woodcock, Hess & Co.

With Schirmer, Atherton

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Charles P. Brown, Jr. is now connected with Schirmer, Atherton & Co., 50 Congress Street, members of the New York and Boston Stock Exchanges. He was formerly with Stone & Webster Securities Corp.

With Trust Securities

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Joseph P. Abdella is now with Trust Securities Corporation, 80 Federal Street. He was formerly with Coburn & Middlebrook Incorporated.

Joins J. H. Goddard

(Special to THE FINANCIAL CHRONICLE)

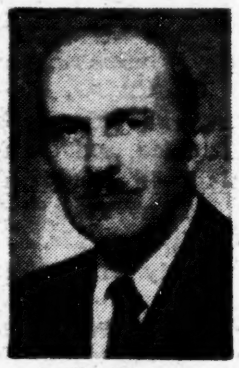
BOSTON, Mass.—Henry T. Williams is now with J. H. Goddard & Co., Inc., 85 Devonshire Street, members of the Boston Stock Exchange.

Interest Ra'es and Loan Demand During the Balance of 1957

By DWIGHT W. MICHENER*
Economist, Chase Manhattan Bank

Mr. Michener, in his analysis of the financial situation, doubts that an easing of monetary policy is appropriate at the present time and concludes that the current strength in interest rates will continue. Prominent bank economist notes the weakened liquidity position of banks; opines demand for capital in excess of supply will continue at present high levels for immediate future; and observes that current "tight money" situation has not resulted from a reduction of reserves by the Federal authorities. Expresses hope that public is coming to realize that "soft money does not cure hard economic problems."

The financial situation is now commonly characterized as one of "tight money." The "tightness" has two characteristics. First, borrowers find it much harder than in the past to get money and, second, rates of interest have risen so that it is hard for the borrower to secure funds at rates to which he has become accustomed in the past three decades.



D. W. Michener

It is true that interest rates are much higher than in recent years, but they are not high relative to the long-term level of rates. By noting the trend of rates over a long period of time, one gets perspective. The prime commercial paper rate, for example, averaged about 5% for the 50-year period 1875-1925. For the decade ending in 1945, it averaged less than 1%. It is true that the rise in this rate since 1945 has been sharp. At present, it is between 3 and 4%. But at this height, it falls far short of the level which existed during the 50-year period ending with 1925.

The question before us today is, what comes next? Are interest rates to go on up, or are they to turn downward? It now appears that the current strength in rates will continue. The reasons for this conclusion may be stated briefly.

Demand Still Exceeds Supply

Demand for money remains at a new high level. Available funds in the form of savings have increased moderately in recent years but are not keeping abreast with the current strength in demand. Under these circumstances, the need for credit control is obvious. The liquidity position of banks is less strong than it has been over a period of two or three decades. Credit authorities are in earnest in their efforts to moderate credit expansion. Public reaction to credit control efforts is very important and, at the same time, very difficult to estimate, but it now appears that the public is likely to continue to support the current control policy.

As to demand for money, the indications are now that industrial production, farm production, new construction, retail trade and other uses, will keep total credit demand for capital in the immediate future close to the present high level.

The supply of available savings has shown moderate increase in recent years, but the expansion has not been large enough to meet that amount of money demand which is normally supplied by savings. This failure of savings to increase by a sufficient amount was actually to be expected since, for many years, the saver has been penalized by artificially low interest rates, and spending has been encouraged by illusions to short cuts to a high standard of living, the short cuts including a home, a car, furniture, and even recreation, on credit. Furthermore, tax provisions, under which "the Government pays a part of the interest charges" have provided additional stimulus to borrowing.

In view of the shortage of savings to meet capital requirements, demands for credit made upon commercial banks expanded with extraordinary speed during the past two years. Bank loans during this period increased at a rate never previously experienced in our history. The rush for money has made credit control by our credit authorities much more difficult than before. Limited credit expansion, even when absolutely necessary, is not an easy task, and monetary authorities do not become popular by making it more difficult to finance the home, the car, inventory, or the public debt.

Reduced Bank Liquidity

The sale of Government securities by commercial banks to support their reserve position as loans expanded, has resulted in a reduction of the liquidity position of banks. This is demonstrable by the various measures of liquidity, such as the ratio of liquid assets to deposits, loans to deposits, risk assets to capital, etc. The individual bank finds that the trend of these ratios is an important matter to be considered as additional loans are contemplated.

It should be made clear that the present "tight money" situation has not come as a result of a reduction of reserves by the Reserve authorities. Rather, the volume of member bank reserves at the end of 1956 was as large as it was two years earlier. And, furthermore, the long-term upward trend of these reserves apears to be continuing. Tightness came not as a result of reduced reserves, but rather as a result of expanded demand for loans.

Current tightness in the money market could be alleviated, of course, should Reserve authorities use the tools at their disposal, namely, reserve requirements, open-market operations and discount rates. Thus, much depends upon their credit "policy." In trying to picture this policy for the future, we cannot read men's minds. But we do have a way to try to anticipate policy decisions, namely, we know the business factors which the authorities feel are important, and which they review before arriving at policy decisions. They watch production trends, the nearness of our economy to capacity, the volume of loan demand, the volume of member bank borrowing, the rate of expansion of capital goods, the movement of interest rates, employment trends, Government expenditures, wholesale commodity prices, stock prices, stock prices, etc.

Conclusion

With the attention of the authorities upon current developments in these fields, there is little to suggest that an easing of policy would be appropriate at the present time. The objective is, of course, not to make money unavailable, but to moderate its expansion.

Probably all of us will have opportunity to display good judgment and good citizenship in supporting the hand of our credit authorities in the months ahead. At the same time, perhaps we can dare to hope that the public is coming to realize that soft money does not cure hard economic problems.

*From a talk by Mr. Michener before the National Association of Credit Men's Convention, Miami, Fla.

Gilbert S. Butler Opens

ALFRED, N. Y. — Gilbert S. Butler is engaging in a securities business from offices at 64 South Main Street.

Case Opens Office

CUTCHOGUE, N. Y. — Russell B. Case is engaging in a securities business from offices here.

Form Equitable Investors

FOREST HILLS, N. Y. — Equitable Investors Corporation has been formed with offices at 116-55 Queens Boulevard to engage in a securities business.

Golden Opens Office

BROOKLYN, N. Y.—A. George Golden is conducting a securities business from offices at 26 Court Street.

With Reynolds Co.

PHILADELPHIA, Pa. — Reynolds & Co., members of the New York Stock Exchange and other leading exchanges, announce that Frederick D. Morris and F. Gregory Gause, Jr. are now associated with their Philadelphia office, 1526 Chestnut Street, as registered representatives.

E. E. Roth Opens

(Special to THE FINANCIAL CHRONICLE)

SANTA BARBARA, Calif.—Edward E. Roth is engaging in a securities business from offices at 424 Pimienta Land Montecito. He was formerly with First California Company.

Housing Starts to Increase in 1958: Baker

Important factors determining the number of housing starts in the years ahead are outlined by Chairman of National Gypsum Co., after forecasting that 900,000 houses will be built this year and a million next year.

A major supplier for the housing construction industry told the New York Society of Security Analysts recently that "it now appears tight money will keep housing starts down to 900,000 units this year."

Melvin H. Baker

Melvin H. Baker, Chairman of the Board, National Gypsum Company, noted that "money for house mortgages is easing a bit, vacancy rate is low and the number of families keeps rising. If this trend continues," he stated, "starts should get back to something more than a million for next year."

"In addition," Board Chairman Baker observed, "there are other important factors that will determine volume of the market in the years ahead. Some of these are:

"A pent-up demand is growing and it cannot be satisfied by the present rate of home building.

"Birth rate of about four million per year is creating cramped quarters for young couples who live in small homes, and this is causing a pressing need for new homes.

"A fairly high level of family formations is indicated until the 60's, when a substantial upturn can be expected.

"There will be a need to replace an estimated 400,000 homes each year, expected to be demolished for roadways, urban redevelopment and to replace those destroyed by natural causes.

"A large number of over-age structures are wearing out or becoming obsolete.

"There is a growing trend to get out of the crowded city by building a home in the suburbs.

"The demand continues to grow for more public, commercial and industrial building necessary to properly accommodate the rapid increase of our population.

"Continued growth in our economy will cause full time jobs at high wages and, consequently, provide prospects for savings by the American people.

"The outlook for balance of this year is depressed, but there are indications that more money is slowly becoming available for insured mortgages. The longer range —that is beyond the next twelve months—looks good."

Form Inv. Growth Corp.

Investors Growth Corporation is conducting a securities business from offices at 154 Nassau Street, New York City.

Koppelman, Marcus Opens

Koppelman, Marcus & Solomon has been formed with offices at 501 Fifth Avenue, New York City, to engage in a securities business. Partners are Morris Koppelman, Howard Marcus and Donald C. Solomon.

Smith, Barney Partner

Smith, Barney & Co., 20 Broad Street, New York City, members of the New York Stock Exchange, on July 5 will admit Charles S. Robertson to limited partnership.

"Operation Bootstrap" and Puerto Rico's Future

By HERIBERTO ALONSO*
Director of Industrial Development,
The Economic Development Administration of Puerto Rico

Mr. Alonso reports Puerto Rico's great increase in consumer expenditures, manifesting great expansion in many areas, and stepped-up pace of industrial development, with 200 new plants opened during the past year. Cites progress toward developing major oil refining and chemical industry. Outlines measure to maximize the new opportunities, with cooperation with local investors and entrepreneurs offered through the Government Development Bank, the Puerto Rico Industrial Development Company, and the Economic Development Administration.

It was just 15 years ago this month that our legislature created the Puerto Rico Industrial Development Company. Let me quote from the Act: "The activities of the company . . . are to benefit the inhabitants of Puerto Rico by discovering and developing to the fullest possible extent the human and economic resources of the Island."

Heriberto Alonso

What exactly has been accomplished? Let's take a look at what has happened in only the past six years since the Economic Development administration was organized to oversee Puerto Rico: "Operation Bootstrap." In this time we have nearly doubled the Gross Commonwealth Products and our per capita income is 34% higher. Our imports from the United States have increased by 168 million, and our exports by 135 million.

Rise in Consumer Expenditures

It will be of special interest to all in the field of sales to observe that consumer expenditures on goods and services went up from $785 million in fiscal year 1950-51 to $1,047 billion in 1955-56, a one-third increase.

What has this meant to our domestic sales executives?

In 1956, they sold $128 million more in food and related products than in 1951. In 1956, they sold $41 million more clothing and accessories than five years before. Expenditures on transportation last year were $21 million higher than in 1951. Bank deposits are up from $270 million in 1951 to $340 million in 1956. $187 million in residential construction has been added to our real property.

And what is more, this is only the beginning. The key to our rapid progress has been the development of the industrial sector of our economy. And the pace of our industrialization program has gathered momentum. In 1949, 31 new EDA-promoted plants costing $10 million started operations—this was twice as many plants, costing twice as much as we had promoted the year before. In 1956, six times that amount went into EDA-promoted plants — approximately $60 million in new investment in our plants in that single year. Taking a closer look at it, that meant new investments of $5 million a month—over $1 million a week—more than $150,000 a day, $13,000 an hour. Every time our watches ticked off a minute during 1956, more than $200 of EDA-promoted plants started operation. *In toto*, $45 million were paid in wages to the 30,000 workers employed by the new operating plants last year.

The Future

I have reviewed some of the things we have achieved. As we look to the future, we can see signs of an even more rapid expansion of the economy than in the past several years. I can with full assurance announce that during the fiscal year that will end next month, we will have promoted the record breaking number of 200 new plants for a single year. To give you an idea of the pace at which the industrial program is advancing, let me mention the achievements made during the first 27 days of May, 1957. We were able to promote 23 new plants which will have an estimated annual payroll of $2,342,000 that will be distributed among 1,579 employees. The investment in machinery and equipment in these plants will be approximately $3,-500,000.

I do not have to break this down by months and minutes for you to realize what these new plants will mean to all of us.

Some of the projects that are taking shape are really exciting. As far back as 1930, Governor Theodore Roosevelt wrote to the Secretary of the Army that Puerto Rico had tremendous industrial possibilities, although there were few natural resources on the Island. He pointed out that raw materials could be brought in, processed and re-exported, and that our ability to reach the major ports of the Hemisphere by ocean transportation could be an important factor in our favor.

Petroleum Development

If he were alive today, he would find his judgment vindicated by many aspects of our program, but by nothing so much as the fact that we are well on the way to developing a major oil refining and petrochemical industry on this Island, where we have yet to discover a drop of oil. Already, two refineries have been constructed. One is already doubling its capacity, and the other is soon to do the same. Together they now represent an investment of nearly $60 million. Other oil companies are exploring the opportunities for high profits in Puerto Rico offered by the tax exemption program, and we are confident that before long there will be even more.

What these refineries can mean to the future growth of our industry, is demonstrated by what is happening in Penuelas, where Union Carbide's $29 million ethylene glycol plant is now under construction. This plant will use gases generated in the refining process at Commonwealth Refinery. Millions of dollars more will probably go into additional plants to use the products manufactured by Union Carbide. Around each large refinery, we expect a similar complex of related activities to arise, with the subsequent beneficial effect on our economic progress.

We are particularly proud of Gonzalez Chemical Industries, the $12¼ million ammonia products and sulfuric acid plant at Guanica, because it is one of the largest locally-owned projects in our program. We are also pleased with this venture because it is a conspicuous demonstration of how local businessmen can take advantage of the many opportunities in our local market, reducing our dependence on expensive imports.

New Floor and Feed Mill

I take this opportunity to announce that we are negotiating the construction of a flour and feed mill on the western end of the San Juan Harbor. This mill will be able to supply 75% of Puerto Rico's annual demand for wheat flour and 50% of the animal feeds. We hope that lower feed costs will help to make it possible for local producers to capture a large part of the market indicated by the more than $40 million annual imports of meat, dairy and poultry products from the United States.

We have reached a preliminary agreement which will give us a modern slaughterhouse that will be able to handle at least 50% of the local production of cattle and hogs. This modern slaughterhouse should be able to give a far better return to the cattle raiser, lower the cost of meat, and provide a whole new range of locally canned and preserved meat products.

I will not attempt to enumerate the many other developments that make us so confident for the future. We know that the economic pattern of Puerto Rico is rapidly changing and that a vigorous economic structure has emerged. Here are some of the things that we are doing to maximize the benefits we will derive from the new opportunities with which we are confronted.

Maximizing the Opportunities

We have embarked on a program of planned decentralization of our industrial apparatus. Nearly all of our standard industrial buildings are being located away from the San Juan area, in order that the benefits of industrialization may reach every corner of the Island. To encourage manufacturers to take advantage of these locations, we have established rental rates that are lower in more remote areas. And we have offered incentives to manufacturers who select these areas of up to $25,000. The results of the program have been heartening—from 1953 to 1956, the metropolitan area with 36% of the population, gained only 24% of the new jobs. We are confident that local investors will take full advantage of the opportunities that this new program offers.

Our faith in the development of local industry is such that we are now in a position to offer the following package to local investors and entrepreneurs:

Through the Government Development Bank:

(1) Long-term mortgage loans for as much as 60% of land and buildings value.

(2) Up to 50% of value of new machinery in chattel mortgage loans.

(3) Small industrial loans with liberal collateral requirements but strong character and business know-how qualifications.

(4) Loans in participation with the Federal Small Business Administration.

Through the Puerto Rico Industrial Development Company:

(1) Multiple purpose industrial buildings for lease, purchase options of direct sale ranging from 6,000 sq. ft. to 23,000 sq. ft.

(2) Special buildings built to specifications, for sale only.

(3) Special incentives grants to industrial firms establishing in certain rural towns.

(4) In projects of special significance to the economy minority stock investments.

Through the Economic Development Administration:

(1) Marketing assistance:

Consulting services on product design, packaging, distribution and other problems through a local design center.

Up to 50% government participation in the costs of market studies.

Facilities set up locally and in New York to help channel Puerto Rican products into U. S. markets.

(2) Industrial engineering services for plant improvement.

(3) Personnel training assistance on a share cost basis.

(4) Economic feasibility consultations.

(5) Technical advisory services on agricultural projects.

(6) Process development for utilization of local raw materials.

(7) Product and process improvement assistance.

We are expanding existing port facilities to meet requirements of the rising flood of goods coming into and going out of the Island. We are building new and specialized ports for the new types of heavy industry we are attracting.

We are organizing a Design Center that will, among other things, help locally manufactured products to compete in export markets; and to help this development, we will expand our marketing office in the United States, whose sole function will be the promotion of goods made here for export to the huge Continental market.

We are training managerial personnel — both in professional schools and on the job—to take over efficiently the administration of our commercial and industrial enterprises.

For all of these reasons and many more, we face the future with confidence because we know that we are well supported in this effort by our people.

We fully intend to carry forward this great economic development program we have initiated. Before too many years have passed, we will, I am sure, arrive at an era in which our main economic problems will have been left behind.

*An address by Mr. Alonso before the Sales Executive Club of Puerto Rico, San Juan, May 30, 1957.

W. E. Hutton Wire to Johnson, Lane, Space

W. E. Hutton & Co., members of the New York Stock Exchange, announce the installation of a direct private wire to Johnson, Lane, Space and Co., Inc., of Atlanta, Savannah and Augusta.

Joins Daniel Rice

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Jerome Kohlman has joined the staff of Daniel F. Rice and Company, 141 West Jackson Boulevard, members of the New York and Midwest Stock Exchanges. Mr. Kohlman was previously with H. Hentz & Co.

Sincere Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Herbert G. Mayer has become connected with Sincere and Company, 231 South La Salle Street, members of the New York and Midwest Stock Exchanges.

Atomic Energy Prospects For Private Electric Power

By PAUL HALLINGBY, JR.*
Vice-President, Middle South Utilities, Inc.

Bullish long-term prospects of nuclear equipment line and potentiality of economically attractive atomic power—without profits in the early years—are some of the views expressed by Mr. Hallingby after explaining why a group of southern utilities are planning a research-development nuclear power program leading to possible construction of an advanced power reactor design with costs approximating those of conventional power plants. The utility executive opposes our entry into a "kilowatt race" with countries who have no choice but in this direction, and believes the Government should not construct nuclear power plants unless it can be shown others will not undertake non-subsidized or subsidized reactor development. Describes substantial problems yet to be overcome and holds out real hope for lower costs in the future.

For the last several months I have been actively engaged in the work of the Middle South System companies and other neighboring electric utilities devising a program for nuclear power development in the general area where we serve. We expect before long to launch a program whereunder this group of utilities will finance a research and development program expected to extend for three or four years. This program will have as its objective determination of the feasibility for large-scale construction of a rather advanced power reactor design which we think has considerable potential. We believe that such a program will contribute to the advancement of power reactor technology. Moreover, we hope that the design under consideration ultimately may be adapted for the commercial generation of electric power at costs approximating those of power generated from conventional plants in our territory.


Paul Hallingby, Jr.

Planning Nuclear Power

There are several important reasons why the Middle South System companies and other interested companies in the southwest are attempting to set up this program. I believe that these reasons are quite similar to those which have motivated so many companies in the electric power industry to be sincerely interested in the development of atomic power.

The first of these is that we are hopeful that the use of atomic energy ultimately may provide a means for reducing or holding down the cost of generating electricity. Currently, electric power from atomic fuels generally costs much more than electric power from conventional fuels in the United States. But atomic power is in its infancy and there is promise that its costs will be reduced markedly as more experience is gained. American engineers and scientists historically have made a great record in being able to reduce costs. It is important in this regard to remember the potential that atomic fuels hold. If all the atoms in only one pound of uranium could be fissioned, or split, the heat energy released would be equal to that given of by burning about 1300 tons of good quality coal—enough coal to fill about 20 railroad cars. With today's limited knowledge, however, only a small fraction of this potential energy can be utilized.

Since atomic energy is concentrated in such a small mass, the cost of transporting enough atomic fuel to run a generating station for a year is bound to be much less than what the cost would be of transporting enough fuel to run a conventional station at the same site for the same period of time. The cost of transporting fuel is an important part of the overall economics of power production. In many areas the cost of hauling coal exceeds the cost of the coal itself. It follows that atomic power should be most attractive in areas farthest from conventional fuel sources and which, therefore, have to pay the highest shipping charges for coal, oil or gas.

Present Fuels' Supply

Another reason for our interest is the realization that although known reserves of present fuels to make electricity are adequate for many more years, they are not inexhaustible. This fuel supply must be considered in the light of America's seemingly limitless demand for ever increasing amounts of energy. As a measure of this demand, America's electric companies expect to double their generating capacity within the next ten years and to double it again in the following ten years. According to informed estimates, by 1975 America will have to generate 1½ to 2 trillion kilowatthours annually—some three to four times as much electricity as it generates today. In view of such demands, and it should be remembered that the use of fuels for electric power production is a relatively small percentage of the total amount of fuel used, it appears that the day may arrive when supplies of conventional fuels will not be adequate to meet all energy demands economically. Atomic fuels are expected to pick up some of the load. It has been estimated that the energy contained in the world's natural deposits of economically recoverable atomic fuels — uranium and thorium—is many times greater than that contained in known recoverable reserves of coal, oil and gas. The assurance given by these reserves of atomic fuels is an important reason for our interest in the development of atomic power.

Still another reason for our interest is the awareness of the national prestige that results from our nation's present leadership in this field. In countries where fuel is scarce and expensive and accordingly where power produced through conventional means is quite high, atomic power may be economically attractive now. Such countries may view atomic power as their potential economic salvation—their means of providing a backbone for the industrialization which has eluded them because of their lack of abundant and inexpensive fuels for power production. Atomic power seems to be on the way of becoming a factor in the foreign policy of nations. To the extent that this country could show the way in atomic electric power it would certainly enhance our world prestige — help us in our foreign relations — and provide new world markets for American products.

Finally, electric companies are concerned with atomic power because of the need of defending our industry and the American system of free enterprise from those who would have the Federal Government get deeper and deeper into the electric power business. In short, we feel that if industry does not develop nuclear power adequately, the Federal Government very likely will.

Opposes Political "Kilowatt Race"

Unfortunately, the question of whether the nuclear power development program in the United States is adequate has become largely a political question. There exists in the Congress a sizable group who charges that our program is not adequate and who advocate a Federal Government program of large-scale reactor construction. Last year the so-called Gore Bill was passed by the Senate and was narrowly defeated in the House of Representatives. That bill provided for a Federal Government crash program for the development of atomic power and directed the government to build a number of large-scale power reactors throughout the country. $400 million of your and my tax dollars would have been spent to build uneconomic power plants.

I believe that there is little purpose in using taxpayers' funds to construct nuclear power plants just for the sake of having a large number of kilowatts of atomic power. I am opposed to the concept of a "kilowatt race" with other countries, such as England and the Soviet Union, whose fuel resources and economics are far different from ours. England, for example, apparently is running short of coal and doesn't have the dollars available to buy large quantities of coal from us. The British seem to have no choice for the immediate future but to resort to atomic stations for an important part of their expanding power requirements, so that some of their remaining coal can be conserved and so that their dollars can be used for buying things other than coal. It is principally for this reason that the British have chosen one particular reactor design — a design not generally regarded as promising for commercial use here—and are building a number of plants of that design.

It is my opinion that the idea of an international "kilowatt race" makes little sense in view of the very basic differences in the economics of the power industries of the United States and other world powers. Based on this con-

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*An address by Mr. Hallingby before the Boston Investment Club, May 21, 1957.

Long-Term Investment Results Require Continuous Supervision

By RALPH B. JOHNSON*
Partner, Smith, Barney & Co., New York City

Prominent security dealer stresses the importance of research department, "continual supervision," and "selectivity" in managing pension fund investments. Mr. Johnson suggests to fund advisors that investment portfolios should not be static—no matter how good the original composition—but must fit the economic outlook and long-term trend, and meet actuarial needs. Explains what to watch for in bonds, preferred and common stocks; singles out as one of the dynamic changes the growing significance of research; and cites the missile industry and its economic ramifications to illustrate transitions constantly occurring, and the need to make careful study of individual firms before taking action.

The Continuing Supervision of Investments is, in the long run, the most important aspect of investment assistance. No matter how soundly a pension fund is conceived, if that fund does not keep up with the changes that occur in our economy—the fund is bound to fail in terms of real protection for the beneficiary. Continuous supervision, therefore, really means a constant and continuous check on the investments in the fund portfolio.

Experience has shown us conclusively that the future cannot be forecast. The world in which we live is changing at a rapid pace. Our economy and the investment market reflects those changes. Today, we can see these rapid changes taking place in our industrial technology; reports show us that the purchasing habits of the consumers are constantly changing and we are experiencing further changes in the size and allocation of government expenditures. All of these factors affect our economy and, hence, affect the investment value of different types of securities and investment portfolios.

For these reasons, no investment portfolio can remain static. The portfolio and the investment in that portfolio must change as economic circumstances warrant. The keeping up with these changes and the taking advantage of them is what is meant by continuous supervision.

The first step in the supervision of investments is the understanding of the restrictions which have been placed upon the investment portfolio. These restrictions are the initial guide lines which must be considered by the investment advisor. For example, if the Pension Trustees have decided that the fund is to be invested 50% in bonds and 50% in common stocks or if they have restricted investments to those which are legal for savings banks in the state of New York, then these are the qualifications of the fund. But when all of these basic qualifications have been discussed, considered and decided upon—then the supervisor of the fund's investments must abide by them until they are changed.

So, we come to the first area of continuous supervision — the Supervision of Policy Considerations. What are these Policy Considerations? Basically, they are as outlined above, the rules which control the basic philosophy or management of the investment fund. An example of these rules would be:

(1) The fund will be invested in 60% Bonds; 10% Preferred Stock; 30% Common Stock.

(2) The fund will hold no securities issued by an employer company.

(3) The fund needs a return of at least 3½% on invested capital.

And there are many others which could be applied as well as variations of those mentioned.

*An address by Mr. Johnson before the 10th Annual Conference of Labor, New York University, June 14, 1957.

Policy Shift to Equities

When these rules were originally established, it is fair to assume that the Trustees had carefully considered the problems and had made their decisions. But as time goes on, many of the reasons for these decisions may change. If that happens, logic and good investment principle dictates a companion change. I think that this point could best be illustrated by some examples:

For the first example, let me pose a problem which is based upon an actual experience in one of the funds that we handle. When this fund was originally started, back in 1938, a number of the trustees were opposed to the inclusion of common stock in the portfolio when they remembered the catastrophic experiences of the early 1930's. But as the years wore on, these men began to see the handwriting on the wall. They recognized the tremendous growth potential possessed by our industry; they saw how the depreciation of the dollar was eating away at the funds "real" capital, it's equivalent in purchasing power. Today this fund has approximately 67% of its money in common stock. This figure has varied with the changes in the economic clime, but the fact remains the Trustees have changed their Policy to fit the time.

Another example, which falls into the area of actuarial evaluation, would be if the consultant actuary decided that the fund must increase their rate of return. Obviously, if the actuary thought that another ¼% return was necessary then the investments of the fund must change to accomplish this need. In a case such as this, the change may have to be a greater increase in common stock holdings. But, whatever, the investment program must be changed as the needs of the fund change.

This, then, is the first area of continuous supervision. The advisor must consider the economic outlook and how the fund's investments fit into this long-term trend. He must consider the actuarial needs of the fund and how these needs are complimented by the investments. And, finally, he must consider the ground rules which have been outlined by the Trustees to see whether or not these rules need change.

Once the policy has been created, the next step is the selection of investments to compliment the policy decisions. I should like to point out that no matter how excellent the original choice of investments, each security must be watched to see if any changes have taken place which might affect the investment worth of that security.

What to Watch For

Bonds: What do we watch in the bond market? We watch the interest rates and how these interest rates compare with the various types of bonds available to the investor. We must watch the long-term future demands and supplies of money for, if an imbalance occurs, this can have a definite effect on the value of the investments made. We must watch the Federal Reserve Board and their decisions for this too has an important effect on the rate of return and hence the value of the investments made.

Preferred Stock: This area of investment is closely related to the same factors that govern the bond market.

Common Stock: In supervising common stock investments, the advisor must constantly be watching:

(1) The outlook for the economy as a whole.

(2) Outlook for the individual industries which make up the economy.

(3) Outlook for the individual companies within the industries he has selected as suitable investment media.

It is axiomatic that the best company in an industry which is losing its market because of technological changes is not a good investment. By the same token, a badly managed and inefficient company in a growing industry is not a good investment either. Therefore, it is the job of the investment advisor to be constantly watching the various criteria which will measure the investment worth of a given company.

Assuming that when the pension plan is first invested, all of these considerations are taken into account, the investments that have been made must be constantly reviewed in case changes have occurred.

Experience has shown that as consumer habits change, as technological improvements are introduced, the value of companies have also changed. A well invested portfolio must keep up with these changes.

Rather than deal in hindsight, I would like to show you some actual problems which will illustrate theories of continual supervision. What I would like to do is to discuss some of the facets and features of our economy and how it will effect investment programs in the future. I think that in this way the true meaning of continuous supervision will become more apparent.

Increased Importance of Research

Ten years ago, business, government, and our educational institutions were spending less than $2.5 billion on research per year. In 1956, these groups were spending about $6 billion per year on research. Or, to put it another way, in 1947, 0.973% of our Gross National Product was devoted to research and by 1956, this had grown to 1.455% of our G.N.P. In those years, research outlays amounted to almost $37 billion and calculations have been made that the next decade will see $100 billion invested in research. Now this money which has been spent means something to the investor. Research is an investment in the future. It means that companies are spending large sums of money to improve their existing products, to discover new products, and, in general, to find better ways to make more money.

The well-managed portfolio will use this research expenditure to benefit its own investment program. How will they do this? By investing their funds in companies which are actively preparing for future competitive markets.

To illustrate this point, McKay-Shields Associates has prepared an excellent study which points out that this research money is accomplishing some major changes in our economy. They state that this Nation is not in a single technological revolution, but is in the midst of 16 different — though overlapping—revolutionary changes as follows:

(1) A change in research itself, as our scientists make full use of the new electronic data processing machines, the electron microscope, atomic tracer techniques, etc., etc., to make the research dollar more effective.

(2) A change in medical technology which is lowering infant mortality, extending human life, reducing the toll of disease and is in a large part responsible for our "population explosion."

(3) A change in population redistribution, as new transportation and communication facilities permit the suburbanization of our population and as our industry and people move to southern areas which, with air conditioning, are tolerable in all seasons of the year.

(4) A change in income redistribution creating a huge great new middle-class market as our new technology advances the productivity and income of our workers.

(5) A paper work change

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Foreign Trade Policy and Stockholder Relations

By HARRY A. BULLIS*
Chairman of the Board, General Mills, Inc.

In delving into the dichotomous foreign trade position of U. S. stockholders, Mr. Bullis cannot "see how it is possible for any industry to justify to its stockholders requests for protection . . . while at the same time it is seeking concessions to exploit foreign markets." After reviewing the importance of freer trade, and recent economic developments in several countries, the head of General Mills stresses the vital economic importance of expanding foreign trade and its role in a sound foreign political policy.

In the best interests of both the general public and stockholders, what kind of national trade policies should we have? We all want peace and the political, military and economic programs which will insure peace. One type of insurance is our program for defense and military aid. Another is the program of economic assistance to help other countries bolster their independence, raise their standards of living and create a more favorable climate for friendship with our country. And very important is our program to enlarge our trade with the rest of the world.

Harry A. Bullis

Businessmen, as well as others who watch our economic affairs, should be greatly impressed by the trend of our foreign trade. Last year our exports reached $17 billion—19% over 1955 and 37% over 1954. And during the first few months of 1957 our exports are well above 1956. Our imports also are running at record high levels.

The increase in our foreign trade is almost phenomenal. It reveals two important facts.

The first is that our foreign trade is assisting to maintain the economy at increasingly high levels at a time when there is a tendency toward decline in some sectors.

*An address by Mr. Bullis before the Committee for a National Trade Policy, Washington, D. C., June 14, 1957.

The second fact is that the large amounts of foreign aid which we have given have resulted in substantial gains in foreign trade.

I doubt if the American people, or even a substantial proportion of businessmen, appreciate the gains which we are now actually receiving from the Administration's enlightened policies for foreign aid and foreign trade. These gains are substantial and they are helping to keep our economy strong, while at the same time assisting other countries of the Free World to build more strength into their economies.

Developments in France and Germany

Developments in France and Germany should carry an important lesson for us. On the basis of recent reports, Germany has accumulated $4.8 billion in gold and dollar reserves. France, in contrast, is in a difficult reserve position. The spectacular element about these facts is that Germany is prepared to make a loan to France to assist in stabilizing the franc.

Germany is the land which was defeated and laid prostrate in the Second World War. Now it has the strongest currency in Europe, excepting only the Swiss franc. It is prepared to lend money to France, which was on the winning side in the war.

This situation is significant because it reveals that sound internationalist policies have done more than just keep Germany's trade free. They have kept her entire economy free and competitive.

On the other hand, France has been very "protective" and "restrictive" in her foreign trade policies. Germany has freed her trade more and more as a matter of policy. The exposure to competition and putting her economy in a competitive position has made Germany strong financially.

Policy of Job Protection

France has endeavored to shelter many of her industries and give too much protection to the jobs of her workers. Britain has also followed a policy of job protection to an extreme. In fact, if unemployment in the United States were in proportion to Great Britain, we would have only 670,000 unemployed instead of our 2,670,000 average unemployment. Our unemployment figure is about 4% of our labor force and it is the price we pay for mobility in our labor force, so that we can start new enterprises, close those which are inefficient and have some leeway for expansion of our various industries. The low unemployment in England is purchased for the price of "stickiness" in industry and sluggishness to change. The net result is that weekly wages there average a fourth to a third of ours.

Policy of Protectionism

Great nations do not slip from efficiency or recede from a place of importance and power in one big swoop. Rather they weaken their will to remain efficient by small doses. Little capsules of "added protection," merely to reduce temporarily the pain of competition, reduces also the incentive and the ability to compete. Those who feel impelled to ask for some consideration in a tariff case should state their case honestly, and just as honestly accept the verdict. This is a Free Enterprise system and it is a Profit and Loss system. The industry which still leans upon protectionism should accept society's ultimate verdict that if it cannot survive without protection in these prosperous times, it should shift over to lines in which it can survive. In this competitive world we cannot afford to be less efficient than our competitors abroad.

Relations With Stockholders

I do not see how it is possible for any industry to justify to its stockholders requests for protection on some of its products, while at the same time it is seeking concessions to exploit foreign markets.

There are millions of stockholders who have shares in corporations which have considerable stake in export trade. There are more millions whose companies are dependent, either directly or indirectly, upon the imports of materials which go into their products. In such companies, management should tell the stockholders that increased foreign trade is in their interests.

We should tell our stockholders that expanding foreign trade is vital to an expanding economy. We should explain that in the long run imports plus capital investments abroad must balance our exports. Trade is a two-way street. Therefore, imports are as important as exports in keeping our economy strong and aggressive.

Both the public and corporation shareholders should know that the United States needs foreign trade—that we are not self-sufficient. For instance, we are dependent upon other countries for all of our tin, industrial diamonds, natural rubber, coffee, tea and cocoa. We import nearly all of our nickel, chromite, asbestos, cobalt and magnesium, half of our tungsten and lead and a third of our copper and zinc.

We should explain the economic aspects of foreign trade, both as to exports and imports, how foreign aid has been a stimulant to trade and how the Administration's program for increased trade will be beneficial both at home and abroad, so that aid may be reduced.

We should impress upon our stockholders the significance of foreign trade in a sound foreign policy. A stronger position in world trade will enable us to compete more effectively with the Communist Bloc. Increased trade, especially trade through private channels, will gain the understanding, respect and friendship of the people with whom we do business abroad.

Lubetkin, Regan & Kennedy To Be New Firm Name

The firm name of Seligman, Lubetkin & Co., 30 Pine Street, New York City, members of the New York Stock Exchange, will be changed to Lubetkin, Regan & Kennedy.

Charles Friedman, general partner in Seligman, Lubetkin & Co., will become a limited partner July 1. Helen L. Friedman will retire from limited partnership June 28.

Forms R. R. Newman Co.

Rubin Newman is engaging in a securities business from offices at 2155 Grand Concourse, Bronx, New York, under the firm name of R. Robert Newman Company.

Milton Zeller Opens

ROCKAWAY PARK, N. Y.—Milton Zeller is engaging in a securities business from offices at 122-20 Ocean Promenade. Mr. Zeller was formerly with Glick & Co.

Abraham Sorkin Opens

BROOKLYN, N. Y.—Abraham Sorkin is engaging in a securities business from offices at 301 East 92nd Street under the firm name of AAA Mutual Funds.

Jacob Burke Opens

FOREST HILLS, N. Y.—Jacob B. Burke is conducting a securities business from offices at 67-71 Yellowstone Boulevard.

THE MARKET . . . AND YOU

By WALLACE STREETE

Stocks swayed under technical considerations this week, including a rally after a decline of a handful of sessions in a row. It left cloudy whether or not the list had been corrected to bring it in line with the ragged money market, or whether more reaction was the order.

Volume Light

In rebounding after a good spate of selling, the market failed to generate any appreciable volume and the timing of the rally was such as to merely prove that the market seldom goes one way for any great length of time without some temporary reversal.

* * *

The, at least momentary, recovery buoyed some of the harder-hit utilities but there was still good representation in the list of new lows by issues in this group and there was little following developed for them. The high yields necessary on new financing have definitely put the senior issues in direct competition with the common stocks.

What's Ahead for Chrysler?

Auto shares showed little in the way of sustained buoyancy and even Chrysler, where fat half year earnings are anticipated, was unable to muster any action of consequence. Projections of anticipated $10-plus in half year earnings to the full year would leave this issue selling at less than four-times earnings, an ultra-conservative appraisal. However, guesses over the ability of this company to maintain its current profit rate through the full year were somewhat dour. For one, toward the end of the year, Chrysler will bump into what is expected to be hot competition from General Motors.

* * *

Chrysler's successful snapback from last year's doldrums was largely at the expense of General Motors. But GM next year will be celebrating its golden anniversary and undoubtedly will offer drastically restyled models, backed by formidable sales promotion for the celebration run. In short, the enthusiasm shown during recent years in Chrysler's every - other - year resurge is all but absent currently.

Merger Sprint

The recent uphill sprint of some half a dozen points by The Fair at a time when store stocks were in little demand was finally revealed as due to a plan for Montgomery Ward to take over the four-store chain at a tag of $25, the initial purchase of some 301,300 shares of The Fair now held by Detroit's Kresge Foundation giving Montgomery around an 80% interest initially. The plan is to offer the same price to minority holders but, in the meanwhile, the market had all but wiped out the differential that made the purchase of stock in The Fair worthwhile.

* * *

As has happened on occasion before when the domestic outlook was troubled, a good many of the market students turned their attention to the foreign listings available which, as in the case of Shell Transport, calls for some double-barrelled statistical work. Shell Transport on the basis of the dividend American investors receive shows a yield of below 2%. But with the heavy British withholding tax used to offset U. S. income taxes, it becomes a far healthier 3.25% if the full credit can be taken. The likelihood of heavy foreign taxes being trimmed for these large international operations also enters into the picture.

* * *

Where valid reasons might be made for switching to the equal, or higher, yields available in the bond market, the fact seems to be that interest still centers on common stocks and on the same top companies that dominate their fields.

* * *

The lists of issues preferred by the periodic investors who use the New York Stock Exchange's Monthly Investment Plan which have been compiled at varying times over the last couple of years show remarkably little change in the preference for top names only.

Steel Bellwethers

Steels issues, while not backed currently by any glowing reports, nevertheless were in occasional demand and had plenty of followers. As a result the bellwethers, such as U. S. Steel and Bethlehem, have been able to hold their ground well after their initial leadership on the reaction.

* * *

Even their most ardent champions concede that slack operations will continue in all probability through the summer. But the expectation of a vigorous fourth-quarter rebound is held likely to put them in a position to try to better the record production of 1955 for the entire year.

* * *

Profits are expected to be bolstered by an increase in basic steel prices, possibly to be made next month, plus the fact that benefits from the expansion and modernization programs of recent years are now starting to make their effect on earnings.

U. S. Steel, offering a yield of around 4½%, is a leader in all lines of ferrous work and, in addition, owns one of the nation's largest cement companies to benefit from the large road building plans. The stock is considered by many market spectators as being not out of line with present prospects and still in a position to maintain its premier position at the head of the pack in the long-range uphill growth in steel use.

Inflation Versus Bonds

The long-term growth prospects for the basic companies, measured against the constant decline in the purchasing power of the dollar, apparently keeps unlikely any major switch by the general public to even the currently attractive yields of fixed-income securities. That the bond market shows no signs of ending its repeated slumps to new lows is an additional deterrent not entirely hidden in market considerations. While declines in the bond market, consequently, have reached proportions of 10-15%, the stock averages have shown far milder setbacks even at their worst recent standings.

* * *

The high relative statistical price of International Business Machines on times-earnings and yield bases has never been much of a drawback to superior market action. And the issue recovered rather easily from the weight of its recent sizable financing through rights. Even the studies of such blue chips as IBM and General Electric make the point that these issues are not exactly cheap at recent prices, but still recommend that they have a place in any portfolio aimed at more than a few months in the future.

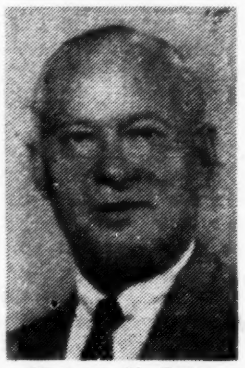
As far as yields on current payments are concerned, the inevitable lists of "candidates for dividend increases" are still around and invariably run to two dozen or better, including the "name" companies. U. S. Steel even appears on some of these lists. And the yield picture changes sharply when these prospects materialize.

[The views expressed in this article do not necessarily at any time coincide with those of the "Chronicle." They are presented as those of the author only.]

Recommends Creation of "Industrial Acceptances" to Finance Small Business

Mr. Palitz proposes the issuance of "industrial acceptances" to solve the capital financing problems of small and middle-sized firms and to remove banks from the improper function of making capital term loans. The pioneer capital equipment installment financing specialist prescribes requirements for these obligations permitting them to be rediscounted by member banks at ¼% less than the usual rediscount rate and, like bankers acceptances, to be sold on the open market.

Creation of an "Industrial Acceptance" which would permit small and middle-sized companies to obtain capital funds required in the expansion of their businesses, and which have not been available to these companies over the last two years because of the tight money situation, is recommended by Clarence Y. Palitz, President of Credit-America Corporation, pioneer banking specialists in installment financing of income producing machinery and equipment.



Clarence Y. Palitz

"The industrial giants of today were small or middle-size companies at one time and it was due to the cooperation of the banks that they were permitted to expand and grow," Mr. Palitz stated. "Many a would-be 'giant' of the future may be prevented from growth by reason of lack of banking accommodations, and banks cannot be blamed as they must take care of the customers who give them their deposits, or the wherewithal to do business," he added.

Solve Tight Money Problem

Thus, a method of financing the smaller companies is needed and the creation of an "Industrial Acceptance" appears to be the new tool with which to solve the problem of tight money, he declared.

In defining his suggestion Mr. Palitz stated "an Industrial Acceptance can be issued by any qualified industrial enterprise which has been in existence for at least 20 years, has a product which has been accepted by the public for at least ten years, a net working capital of $25,000,000, a ratio of at least 3-to-1 and the management and character of the business is such that it has established public and banking confidence.

"They should be qualified by the Federal Reserve Board as companies which could issue Industrial Acceptances, and that they be permitted to issue obligations payable to themselves, or bearer, for the stated amounts, payable periodically over a period of three years in such amounts as the Federal Reserve Banks may approve." These obligations, Mr. Palitz said, would be acceptable by the member banks and would be rediscountable at the local Federal Reserve Bank at ¼% less than the usual rediscount rate, and such sums would not be included in the category of general commercial and industrial loans of the bank.

Mr. Palitz explained: "These Industrial Acceptances should also be sold on the open market similarly to Bankers Acceptances." "Term loans, which in effect are capital loans, should not be made by banks," he added. "Such money should be obtained from the investment market because it is not a bank's function to supply capital."

"In addition to this particular category," he said, "companies which have at least $5,000,000 net working capital, a ratio of 2½-to-1, ten years of experience in manufacturing products which have been accepted by the public for at least five years, and have government agency guarantees to the extent of 80% or 90% of such contracts covered; also would be qualified upon certification by the Federal Reserve Board to issue Industrial Acceptances for the amount of the government agency guarantees."

Riskless Credits

After outlining other phases of his plan, Mr. Palitz asserted that all of these banking facilities are in the nature of "riskless" credits. "If these facilities are taken out of the current channels of banking, the move would relieve the banking structure of about $5 billion or more, thus producing banking facilities for the middle-size and smaller industrial and commercial enterprises," he added.

"The banks today are blamed for a lot of things," Mr. Palitz concluded, "but they can only operate with the tools they have available and like all enterprises, new tools must be created to take care of new situations and wherever there is a new problem, that problem must be solved rather than fought."

Southern California Gas Co. Bonds Offered

A group of underwriters headed by Halsey, Stuart & Co. Inc. is offering today (June 27) subject to clearance by the SEC, $35,000,000 Southern California Gas Co. first mortgage bonds, series C, due 1983 (5⅛%) at a price of 101.807% and accrued interest. The group was awarded the bonds on its bid of 100.66%.

Proceeds from the sale of the bonds will be applied to the company's construction and expansion program.

Southern California Gas Co. is an operating public utility engaged in supplying gas to an estimated population of 5,400,000, including about 90% of the consumers in the City of Los Angeles. It also serves in the counties of Los Angeles, San Bernardino, Ventura, Kern, Riverside, Kings, Tulare, Fresno, Imperial and Santa Barbara, all in the State of California.

Duquesne Light Stock Offered at $34 a Share

An underwriting group headed by Blyth & Co., Inc. and Merrill Lynch, Pierce, Fenner & Beane, today (June 27) is publicly offering an issue of 265,000 shares of Duquesne Light Co. common stock (par $10) at $34 per share. The group won award of the issue yesterday (June 26) on a bid of $32.512 per share.

The net proceeds are to go to Standard Shares, Inc., a registered holding company, which is in the process of becoming an investment company. Prior to this sale, it held 567,500 of the 6,600,000 outstanding shares of Duquesne common and 80,000 of such shares are owned by Philadelphia Co., an indirect subsidiary of Standard Shares.

Int'l Finance Corp. Makes First Investment

Institution set up by 49 governments to make profit-sharing investments in private enterprise lends $2 million to Brazilian affiliate of Siemens of Germany. Financing to consist of 6% notes maturing in 15 years, in addition to a 15-yr. share option.

Robert L. Garner, President of the International Finance Corporation, announced June 20 that the corporation has reached agreement, subject to completion of the necessary legal formalities, for a $2 million investment in Siemens do Brasil Companhia de Electricidade for expansion of manufacturing operations. Siemens do Brasil is owned by Siemens of Western Germany.

To Expand Plant Facilities in Brazil

The corporation's investment, together with the equivalent of $8.5 million being invested by Siemens of Germany, will be used to expand the plant facilities and business of Siemens do Brasil for the manufacture of electric generating equipment, switchgear, transformers, large motors and accessories for utility and industrial application as well as telephone equipment. This will be the first integrated plant for manufacture of such a broad range of heavy electrical apparatus in Brazil. Construction of the new plant is now under way with initial production starting at the beginning of 1958, and completion scheduled in three years.


Robert L. Garner

Siemens, consisting of Siemens & Halske A.G. and Siemens-Schuckertwerke A.G., is the largest industrial enterprise in Western Germany and one of the largest in Europe. The German plants, which employ about 150,000 people, last year did a gross volume of business equivalent to about $620 million. Siemens products cover the entire electrical field.

Financing Includes Stock Option

IFC's investment of $2 million will be in notes bearing interest at 6%, maturing in 15 years, with amortization beginning at the end of the 11th year, to retire the issue in equal annual amounts by maturity. In addition IFC receives a 15-year option on shares equivalent to the complete conversion of its notes based upon the stock at par and the cruzeiro at its present U. S. dollar value.

Protective Covenant

IFC's investment is unsecured, but the contract between Siemens do Brasil and IFC will contain the usual protective covenants. The notes will be redeemable at par at any time.

Disbursement of the IFC investment will be in instalments as required with Siemens paying a customary commitment fee on the undisbursed portion of the $2 million commitment.

Siemens do Brasil, with headquarters in Rio de Janeiro, was formed in 1905 as a Brazilian sales outlet for the parent companies. In recent years it has greatly expanded the scope of its operations to include the distribution of various electrical products of other Brazilian companies.

Manufacturing operations were started several years ago at a plant near Sao Paulo, producing transformers, switchgear and telephone equipment.

Siemens do Brasil, upon completion of the expansion program, will represent a total investment of the equivalent of over $16 million.

A memorandum of agreement was signed by Mr. Helmut Spiecker, a senior executive of Siemens of Germany, by Dr. G. Probst and Mr. G. Knipfer of Siemens do Brasil, and by Mr. Garner.

Bonds Decline to Continue, Accompanied by Rising Stock Market, Says Eliot Janeway

Economist predicts autumn will witness combination of political and monetary crisis, with bond market even more demoralized than now. Sees both government and business needing more money. Predicts continually rising stock market, with bond market recovery pursuant to political pressure, following later.

Congress is going to take control of monetary policy away from the present monetary authorities, very possibly by legislation designed to put the Federal Reserve Board under the control of the Treasury, Eliot Janeway, President of Janeway Publishing and Research Corp. and publisher of Janeway's Trend Analysis and Applications Services, told the California Group of the Investment Bankers' Association of America, Santa Barbara, Calif., on June 24. The first step in this direction, said Mr. Janeway, is being taken right now—through the Senate Finance Committee's new investigation of money conditions and monetary policy. He went on to say, as follows:


Eliot Janeway

The Byrd Committee Challenge

"This Senate Committee—headed by Senator Byrd—is only the beginning of a political chain reaction what will dominate the U. S. business trend through the remainder of 1957 and on into 1958. The investigation itself will not last very long—not as long as the present session of Congress. But during the next few weeks it will sharpen the issue of monetary management by challenging the policies not only of the Treasury but also of the Federal Reserve Board. Secretary Humphrey will have to grin and bear it until the Congressional session ends, which won't be until late August at the earliest.

"Meanwhile the bond market is being demoralized again and before the end of the year, it will be even more so. But the Byrd Committee won't be able—and won't even try—to head off an autumn crisis in the Senate. By that time, Secretary Humphrey and Congress will have gone home. And Secretary-Designate Anderson isn't scheduled to come up for confirmation until January. Thus, as matters stand now, a combination of political crisis and monetary crisis is building up for this autumn, when Secretary Humphrey has left the Federal Reserve Board to face the music alone.

"Autumn will see money even tighter than it already is and the bond market still more demoralized. Difficult though it may be to believe now, the demand for money will rise sharply before the year ends while the already limited supply shrinks still further.

"The new enlarged Budget is one of several reasons why this is so. Once it becomes operative, the Treasury will need even more money than at present for current as well as catch-up purposes. On current account, the Treasury will have to finance the heavy load of government commitments usually made in the early part of the fiscal year. On short-term catch-up account, the Treasury will also have to clean up the backlog of accounts payable it has been building up since May.

Coming Need for More Money

"Business, too, will need more money—first, to finance the re-inventoring that's coming this autumn at higher price levels. Also, business will need more money to finance capital expenditures, which are continuing to rise. And they will continue to rise so long as labor costs continue to increase, as they are scheduled to do again this summer.

"Meanwhile, this summer's wage and price increases will be eating into the money supply. Both government and business will find themselves automatically needing more money to support the same level of activity, as costs spiral upwards again. Inventory liquidation always frees cash and lending power. It did earlier this year—but only temporarily. As fast as cash and lending power was built up in the banks, it was siphoned out again by the Treasury, by local governments, and for corporate capital expenditures.

"This means that, come autumn, both business and government will be needing more cash than ever when there is less of it around. This in turn means more bad news for the bond market—but not, in my opinion, for the stock market. Some of the very same factors responsible for the coming crisis in the bond market will help the stock market to continue rising—in spite of unfavorable money conditions and contrary to history and to popular expectations, this autumn's rising demand for money will reflect the continued strength in the economy, which will in turn be reflected in the continued strength of the stock market. Moreover, I expect the stock market to continue rising in anticipation of the coming change in monetary conditions now being forecast by the Byrd Committee's investigation.

"Once this change in monetary conditions has become a fact, I expect the stock market and the bond market to rise together—from a still higher level for the stock market and a still lower level for the bond market."

Form Stanford Inv.

WASHINGTON, D. C.—Stanford Investment Consultants Corp. has been formed with offices at 1346 Connecticut Avenue, Northwest, to engage in a securities business. Officers are George W. Stanford, President; Robert L. Ramey, Executive Vice-President and Treasurer; and K. H. Plough, Secretary.

McClure, Sexton & Co. Formed in Tampa

TAMPA, Fla.—McClure, Sexton & Co. has been formed with offices at 617 Madison Street to act as dealers in listed and unlisted securities, municipal bonds and mutual funds shares. Officers are Louis C. McClure, President; Louis M. Sexton, Vice-President; and Miss Dorothy Ward, Secretary and Treasurer. All were formerly officers of Stevens, White & McClure, Inc.

With Thill Secs.

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, Wis.—Daniel A. Dineen has become affiliated with Thill Securities Corp., 704 North Broadway.

Harry Berman Opens

SAN FRANCISCO, Calif.—Harry Berman is engaging in a securities business from offices at 260 Kearny Street.

With Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—John L. Fisher, David L. Parmelee and Gerrie P. Putnam have become affiliated with Merrill Lynch, Pierce, Fenner & Beane, 523 West Sixth Street.

Hildebrand Co. Adds

(Special to THE FINANCIAL CHRONICLE)

SANTA ROSA, Calif.—Mary E. Long, Carrol L. Ornbaun and Robert L. Rawles have joined the staff of Hildebrand & Co., 4000 Montgomery Drive.

News About Banks and Bankers

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

Arthur F. McGinness and Donald C. Platten, former Assistant Vice-Presidents, have been elected Vice-Presidents of **Chemical Corn**

A. F. McGinness, Jr. Donald C. Platten

Exchange Bank, New York, it was announced by Harold H. Helm, Chairman.

Messrs. McGinness and Platten are both members of the bank's Metropolitan Division, Mr. McGinness being located at the 46th Street and Madison Avenue Office and Mr. Platten at the 100 Park Avenue Office.

* * *

At a special meeting of shareholders of **The First National City Bank of New York** on June 24, the proposal to increase the capital funds of the Bank by the sale of 2,000,000 additional shares of its capital stock was approved by a record vote. A total of 8,353,724 or 83.5% of the 10,000,000 shares outstanding were voted in favor of the proposal with only 82,080 opposed. By this action the number of shares, of $20 par value, will be increased to 12,000,000. Howard C. Sheperd, Chairman of the Board, presided at the meeting.

The additional shares will be offered at $60 per share to all shareholders on a pro rata basis of one new share for each five shares held, of record June 24. Arrangements have been made with investment bankers headed by The First Boston Corporation, to purchase all unsubscribed shares at the subscription price of $60 per share.

From the proceeds of the sale of the stock, $40,000,000 will be added to the capital of the bank and $80,000,000 to surplus. With these changes the capital of the bank will be increased from $200,000,000 to $240,000,000 and the surplus from $300,000,000 to $380,000,000. With undivided profits of approximately $73,000,000, total capital funds will be approximately $693,000,000. This total does not include either the capital funds of **City Bank Farmers Trust Company,** of approximately $33,000,000, or the unallocated reserves of the bank of more than $100,000,000.

Quarterly dividends aggregating 75 cents per share were declared by the bank's Board of Directors on May 21, payable Aug. 1, 1957 to shareholders of record July 9, 1957. This increases the dividend rate per share from $2.80 to $3 per annum. It is the intention of the Board of Directors, subject to future earnings, to continue dividends at the $3 rate on the increased number of shares.

Warrants covering subscription rights will be issued and mailed June 28 to shareholders of record June 24. The rights will terminate if not exercised on or before July 22.

* * *

A new banking office in the West End of London was opened on June 21 when the **First National City Bank of New York** dedicated its Berkeley Square branch at No. 17 Bruton Street.

The branch is the bank's second branch in London.

Peter A. J. James, who has been with First National City for 33 years, is the manager.

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The appointment of Joseph A. Corrado and William H. Bruton as Assistant Vice-Presidents of **Manufacturers Trust Company, New York** is announced by Horace C. Flanigan, Chairman of the Board.

Joseph A. Corrado began his banking career in 1928 with the **Banca Commerciale Italiana Agency in New York.** He joined Manufacturers Trust Company in 1941 as a clerk in the International Banking Department. He was made assistant Letter of Credit division head in 1947 and an Assistant Secretary in 1950.

William H. Bruton joined Manufacturers Trust Company in 1936 after having been affiliated with the **Chemical Bank and Trust Company, New York,** and with the **Union Trust Company, Cleveland, Ohio.** He was made an Assistant Secretary in the bank's International Banking Department in 1952.

Both men continue their assignments with the International Banking Department at the bank's main office, 55 Broad Street.

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The New York Trust Company, New York, announced the formal opening on June 24 of a sixth branch office on the northwest corner of Madison Avenue at 59th Street.

Mr. Hulbert S. Aldrich, President of The New York Trust Co. said:

"The new office, a major addition to the bank's expanded facilities, was built in recognition of the tremendous growth and concentration of business in the midtown area of Manhattan and of the increased demands for the bank's services.

"Incorporated in 1889 the bank established its first branch office in 1918 and while it has not entered into branch banking on a large scale in terms of numbers of offices and has not opened branches outside of Manhattan, it has added new branches when the need arose, to serve an ever increasing number of clients. Just recently it had a total of five branches all located in the dynamic midtown section of the city.

"And now comes the latest expression of this policy of expanding in order to meet specific banking needs. In this sixth branch, the largest of our midtown offices, we believe we have obtained the very best banking unit that good planning, able designing and tasteful decorating could create.

* * *

A goal of more than 40 years was realized by **J. P. Morgan & Co. Incorporated, New York,** on June 24 with centralizing of all its operations under the bank's own roof. The week-end saw the wind-up of a year-long remodeling and relocation program aimed principally at that result.

Since World War I Morgan's has been a renter of substantial amounts of outside space to supplement its four-story building at 23 Wall Street, still the bank's headquarters. Last year it paved the way for casting off its tenant status by acquiring the adjoining 15 Broad Street building through a subsidiary company. Morgan's already was renting quarters scattered on various floors of that 38-story structure. As owner, it has been able to enlarge and relocate its space in the building for greater convenience and efficiency, while insuring that room will be available for anticipated future growth.

Extensive remodeling of 15 Broad, including the opening of passageways to 23 Wall on all common floors, has tied the two buildings together and given the bank the one-piece layout it long has sought. Air conditioning has been installed throughout more than half the newly acquired building, including the 165,000 square feet (seven floors plus basements) being utilized by Morgan's.

The change has enabled the bank to vacate two floors it had been renting at 120 Wall Street, near the East River. The employees' cafeteria and the dividend department—which writes and mails some 2½ million checks to stockholders of client companies each year — have been moved from there to 15 Broad.

Working-space problems have plagued the Morgan bank virtually since completion of its main building — long known as "the Corner"—in 1914. When founder J. Pierpont Morgan approved the design of the building prior to his death in 1913, his stated intention was to provide enough room for any conceivable future expansion of his firm. But 23 Wall was outgrown almost at once. Named U. S. purchasing agent for England and France in the early days of World War I, Morgan's had to increase its staff greatly and rent outside space to do the work.

It never pulled back within the original walls. After the war, growth continued as the firm played an active role in financing the build-up of industry at home and reconstruction abroad. More recently, since its incorporation as a bank and trust company in 1940, steady expansion has put increasing strain on existing facilities and led to the major relocation program just concluded.

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Joseph D. Dent, who retired last year as a Vice-President of the trust department of the **Guaranty Trust Company,** New York, died on June 19 at the age of 66.

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Harris A. Dunn, Vice Chairman of the board of the **Bowery Savings Bank, New York,** will retire from active service at the end of this month.

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James S. Schoff has been elected a trustee of **Union Dime Savings Bank, New York,** it was announced by J. Wilbur Lewis, President of the bank.

* * *

Trust Company of North America, New York, received approval on June 12 from the New York State Banking Department to increase its capital stock from $540,750 consisting of 108,150 shares of the par value of $5 per share, to $604,995 consisting of 120,999 shares of the same par value. The change in title to the Bank of North America was also approved on the same day.

* * *

William A. Anzalone, a former Deputy Attorney General of the United States and a member of the legal staff of **The Dime Savings Bank of Brooklyn, N. Y.** since 1950, has been appointed head of the bank's Legal Department with the title of Solicitor, it was announced by George C. Johnson, President.

Mr. Anzalone assumes the office vacated through the retirement last March 29, of John J. Mackey.

Mr. Anzalone joined the Dime staff as an attorney in October 1950. He attained officer rank when he was named Assistant Solicitor of The Dimes Savings Bank in February 1956.

John A. Stanton was elected President of the **Bank of Babylon, Babylon, N. Y.**

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Canaseraga State Bank, Canaseraga, N. Y., merged effective June 15 with **First Trust Company, Wellsville, N. Y.,** under charter of the latter bank and new title **The First Trust Company of Allegany County.**

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Albert Van Dyke, Sr., former Cashier and Director of the **National Bank of Liberty, New York,** died on June 20 at the age of 66.

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Directors of the **Fidelity Union Trust Company of Newark, N. J.,** elected on June 19 Walter C. Wulff as a Vice-President.

Mr. Wulff, formerly a Second Vice-President, is in charge of the bank's offices in Irvington, N. J.

William F. Greenley, Jr., was promoted to Second Vice-President from Assistant Secretary-Treasurer.

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The Penn Valley National Bank of Hatfield, Hatfield, Pa., with common stock of $300,000, was merged with and into **Montgomery Norristown Bank and Trust Company, Norristown, Pa.,** under the charter of Montgomery Norristown Bank and Trust Company and under the title **"Montgomery County Bank and Trust Company,"** effective as of the close of business May 17, 1957.

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The Peoples Bank of Dayton, Dayton, Ohio, has changed its title to **The Peoples Bank and Trust Company** effective May 21.

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Lincoln National Bank and Trust Company of Fort Wayne is issuing to the holders of its outstanding capital stock rights to subscribe for 25,000 additional shares at the rate of one share of new stock for each four shares held of record on June 18. The right to subscribe, evidenced by transferable subscription warrants, will expire on July 9.

A 20% stock dividend will be paid on the new stock and the presently outstanding capital stock by the issuance of an additional 25,000 shares of capital stock upon completion of the sale of the new stock pro rata on the basis of one additional share for each five shares held. It is anticipated that the present quarterly rate of 60 cents per share will be maintained on the 150,000 shares to be outstanding. The subscription price is $67 per share.

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William C. Newberg was appointed a Director of the Detroit Bank & Trust Co., Detroit, Mich.

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Grand Haven State Bank, Grand Haven, Mich., and **Ravenna State Bank, Ravenna, Mich.,** consolidated under charter of Grand Haven State Bank and new title **Security First Bank & Trust Co.** effective June 1.

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Eugene W. Zieger has been named Assistant Real Estate Trust Officer by the **St. Louis Union Trust Company, St. Louis, Mo.,** it was announced on June 17.

Mr. Zieger joined the trust company in 1930, and with the exception of two years military service, has been a member of the Real Estate Department since that time.

* * *

The Columbia National Bank of Kansas City, Mo. increased its common capital stock from $600,000 to $750,000 by a stock dividend effective June 12. (7,500 shares, par value $100.)

* * *

Ground was broken for the new **First National Bank of Miami, Fla.,** building located in DuPont Plaza in downtown Miami.

Mr. Ralph W. Crum, President of the bank, presided at the brief and simple ceremonies and the official ground breaking was performed by Comer J. Kimball, Chairman of the Board of the First National.

Mayor of Miami Randall N. Christmas represented the local governmental bodies and expressed official satisfaction of this further evidence of the community's continual growth.

Bank supervisory authorities were represented by Mr. T. A. Lanford, Vice-President and Manager of the Federal Reserve Bank of Atlanta, Jacksonville Branch, and Mr. J. V. Chapman, Deputy Commissioner of Banking, State of Florida.

Also attending the ceremonies were representatives of the general contractors, Frank J. Rooney, Inc. of Miami and Turner Construction Company of New York, co-venturers for the project. Architects for the building are the Miami firm of Weed, Russell, Johnson Associates.

Miami's newest commercial structure will be 17 stories high, containing a total of 450,000 square feet. The bank will occupy the first three floors of approximately 40,000 square feet each and the other 14 floors of tower space will be leased to tenants.

* * *

Elliott McAllister, Chairman of the Board of **The Bank of California, N. A., San Francisco, Calif.** announced that the directors, meeting at the bank's Portland, Ore. office advanced James J. Schrieber, Assistant Cashier to Assistant Vice-President. A veteran of 31 years service, Mr. Schrieber is Operations Officer.

Appointed Assistant Cashiers were: Robert L. Cox, Instalment Credit Loan Department; Marvin Crowe, Staff Training Director; Leonard C. Halford, Purchasing Agent; and Robert J. Payne, Branch Operations Supervisor.

Ernest E. Stewart, Assistant Manager of the Auditing Department, was elected Assistant Auditor.

Elliott McAllister also announced the appointment of the following to the executive staff of the bank's new Santa Rosa office.

Officers of the new bank are: Scott Hamm, Manager; Frank A. Mero, Assistant Manager; and Kenneth R. Keeney, Assistant Cashier.

Mr. Hamm has over 20 years banking experience including five years as Manager of a banking office.

Frank Mero joined the **Bank of Berkeley** soon after it was founded and was serving as Comptroller when it became the Berkeley office of **The Bank of California** in 1955.

Ken Keeney will be Assistant Cashier of the bank's new office, has for the past several years, served as a Supervisor in the Cashier's Department at head office.

The new banking office will open for business July 1 in temporary quarters at 724 Fourth Street. Construction plans for the permanent quarters are well under way for the erection of a modern two story building at 4th and E Streets, and it is expected that the new office will be completed early next year.

* * *

Merger of **California Bank, Los Angeles, Calif.,** and the **Norwalk Commercial and Savings Bank, Norwalk, Calif.,** was approved by the shareholders of the two banks and became effective on June 21.

The announcement was made by Frank L. King, President of California Bank. The new office is the 61st office of California Bank in southern California.

With the merger, A. O. Siverson, Executive Vice-President of the Norwalk Commercial and Savings Bank, and Earl B. Myer, Vice-President, became Vice-Presidents of the California Bank.

Resources of the Norwalk bank were in excess of $8,000,000 at the time of the merger. California

Bank has resources of more than $950,000,000.

* * *

The Royal Bank of Canada, Montreal, Canada announces the appointment of H. M. Grindell as supervisor of branches in Cuba, succeeding the late A. V. Burn. J. B. Miller, formerly second agent with the Royal Bank's New York Agency, succeeds Mr. Grindell as supervisor of branches in the Dominican Republic, Haiti and Puerto Rico, with headquarters in Ciudad Trujillo, D. R. A. A. Johnson, formerly first assistant agent with New York Agency, has been named to succeed Mr. Miller as second agent, and R. M. Cattell, formerly of the Supervisor's Department, Calgary, Alberta, becomes first assistant agent at New York.

* * *

G. L. Wilcox, President of Canadian Westinghouse Company Limited, has been elected to the Board of Directors of **The Toronto-Dominion Bank, Toronto, Can.**

* * *

The directors of **The Chartered Bank, London, England,** and **The Eastern Bank Limited, London, England,** announce that, following discussions between them, The Chartered Bank proposes to make an offer to acquire the whole of the issued share capital of The Eastern Bank Limited on the basis of £9 fully paid stock of The Chartered Bank for every two shares of £10 each (£5 paid) of The Eastern Bank Limited.

The offer will be expressed to be conditional upon (inter alia) its acceptance by the holders of 90% of the issued shares of The Eastern Bank Limited or of such smaller percentage as The Chartered Bank may agree to accept.

The directors of The Eastern Bank Limited intend to accept the offer in respect of their own beneficial shareholdings and will unanimously recommend the shareholders of The Eastern Bank Limited to do the same.

New York Stock Exchange Weekly Firm Changes

The New York Stock Exchange has announced the following firm changes:

Herbert G. Bell and Earle Gatchell, general partners in Hayden, Stone & Co., will also become limited partners effective July 1.

William C. Goeben, general partner in Conning & Co., will become a limited partner July 1.

Irma U. Newburger will retire from limited partnership in Vercoe & Co. June 30.

With F. I. du Pont

(Special to The Financial Chronicle)

AKRON, Ohio—John G. Miller has joined the staff of Francis I. du Pont & Co., 12 East Mill Street.

Joins Green, Erb

(Special to The Financial Chronicle)

CLEVELAND, Ohio—Eugene J. Smith has become affiliated with Green, Erb & Co., Inc., NBC Building, members of the Midwest Stock Exchange.

Walston Adds to Staff

(Special to The Financial Chronicle)

PORTLAND, Oreg.—Robert F. Goodwin has been added to the staff of Walston & Co., Inc., 901 Southwest Washington Street.

With Bache & Co.

(Special to The Financial Chronicle)

MILWAUKEE, Wis. — Carl E. Bethke is now with Bache & Co., 229 East Wisconsin Avenue.

Form Cook Enterprises

TERRE HAUTE, Ind. — Cook Enterprises, Inc. is conducting a securities business from offices at 111 South Seventh Street. Officers are Walter C. Cook, Jr., President; F. F. Cook, Vice-President; and E. M. Leslie, Secretary-Treasurer.

$39,372,000 Issue of Metropolitan Toronto Debentures Marketed

An underwriting group headed by Harriman Ripley & Co., Incorporated and The Dominion Securities Corporation made public offering on June 26 of $39,372,000 debentures of The Municipality of Metropolitan Toronto (Province of Ontario, Canada). The offering comprises (a) $34,919,000 of 4¾% and 4⅞% sinking fund debentures maturing July 1, 1962, 1967, 1972, 1977, 1982 and 1987, which are priced to yield from 4.90% to 5.00% and (b) $4,453,000 4¾% instalment debentures due serially July 1, 1958-1977, inclusive, which are scaled from a yield of 4.00% to 5.00%. Principal of and interest on the debentures are payable in United States funds.

The sinking fund debentures are callable on and after July 1, 1972 at an initial redemption price of 103% and accrued interest. The sinking fund is designed to repay the sinking fund debentures in full when due. The instalment debentures are non-callable.

Net proceeds from the financing will be applied in varying amounts to schools, waterworks, local improvements, roads and sewage, parks and recreation, municipal buildings, Canadian National Exhibition (new building), hydro-electric system, park authority, Administration of Justice, garbage disposal, firehall and equipment and libraries.

The Municipality of Metropolitan Toronto was incorporated under Ontario statutes enacted in 1953 which provided for the federation of the 13 municipalities in the Toronto Metropolitan Area for certain financial and other purposes. The City of Toronto is the focal point of the area which covers approximately 240 square miles.

Included in the offering group are: The First Boston Corporation; Smith, Barney & Co.; Wood, Gundy & Co., Inc.; A. E. Ames & Co. Incorporated; McLeod, Young, Weir, Incorporated; Blyth & Co., Inc.; Lehman Brothers; Salomon Bros. & Hutzler; White, Weld & Co.; Bell, Gouinlock & Company Incorporated; Mils, Spence & Co. Inc.; Nesbitt, Thomson and Company, Inc.; Burns Bros. & Denton, Inc.; Greenshields & Co. (N. Y.) Inc.; Harris & Partners Limited, Inc.; W. C. Pitfield & Co., Inc.; Dawson, Hannaford Inc.; Equisec Canada Inc.; Midland Securities Corporation.

H. H. Armstrong Opens

ATLANTA, Ga. — Harold H. Armstrong is engaging in a securities business from offices at 32 Peachtree Street, Northwest, under the firm name of Armstrong & Co. He was formerly an officer of Allied Securities Corp.

Accounting for the Unexpected in British Securities and Sterling

By PAUL EINZIG

Author-economist Einzig is puzzled by the unexpected halting of the downward trend of British Government securities, the firming of sterling and the Stock Exchange, inasmuch as there has been no change from the pessimistic inflationary outlook in his country. The writer can only attribute this improvement to the optimistic hopes raised by current disarmament discussions, and believes a breakdown in the talks would result in a downward resumption of the Stock Exchange and gilt-edged market.

The downward trend on the market for British Government securities appears to have come to a halt towards the middle of June, and the general tone of the Stock Exchange as a whole became steadier in sympathy with the gilt-edged market. Sterling, too, became somewhat firmer, even though it remained below its parity with the dollar. This improvement was all the more unexpected as the wave of pessimism about the prospects of Government securities was increasing almost daily. Even on days when the Stock Exchange as a whole was firm there was no demand for Government loans, and the financial press came to refer to the gilt-edged market with increasing frequency as the "friendless section" of the Stock Exchange.

Paul Einzig

There was no betterment in respect of the main cause of the weakness of Government issues, the relentless wages inflation. Competitive plundering of the community by trade unions continued unabated. There was no sign of any willingness on the part of employers or of the Government to make a stand against this inflationary pressure. Indeed the majority of commentators — whether politicians, economists, financial journalists or businessmen—continues to refuse to admit that the inflationary trend in Britain has three causes: wages, more wages, and still more wages.

So it must be taken for granted that the wages spiral will continue to rise. The "plateau" of prices, which Mr. Macmillan sought to achieve when he was Chancellor of the Exchequer, is being abandoned right, left and center. The trade unions never showed any willingness to cooperate in the effort to halt the rise in prices. The Government-controlled nationalized industries are raising their charges, having realized that their 12 months' "self-denial" has not prevented an increase of their costs. And many industrial firms which abstained from raising their dividends even though their profits would have justified in paying out more, have now decided to give up the hopeless attempt to mitigate the greed of their employees by their example of self-restraint.

It is true, the Government continues to pursue a policy of credit restraint. Its latest effort in that direction is the discouragement of long-term financing by banks. By preventing banks from granting credits to industrial firms for capital expenditure, the Government may keep down the volume of investment, because the capital market is unable to cope with the demand for funds for that purpose. But this only means that the increase of the output is kept down, while consumer demand continued to receive fresh stimulus from the wages increases.

Full Employment At All Costs

Worst of all, the Government has now committed itself more than ever to the maintenance of overfull employment at all costs. This has been done by the recent decision to close down a large number of Labor Exchanges for reasons of economy. The network of these offices through which unemployed workers could seek employment was built up during the period of mass unemployment in the '30s. The Government has come to the conclusion that, in the almost complete absence of unemployment, there is no need for maintaining nearly as many offices as before the war.

By reducing the number of the Labor Exchanges the Government may, it is true, save a few million of pounds of public money. But there is another side to it. As a result of this decision it will become even more difficult politically to pursue disinflationary policies which, in order to be successful, would necessarily cause some unemployment. It is easy to imagine the outcry that would arise from a moderate increase in the number of unemployed now that the Government has reduced the facilities through which they could find alternative employment. Even before the decision, it was politically difficult for the Government to face the unpopularity of a rise in unemployment. Now it has become practically a political impossibility. In the circumstances, the saving effected through the closing of Labor Exchanges is bound to prove to be a false economy. The Government will have to tolerate even more inflation before it feels impelled to intervene by means of effective disinflationary measures.

Attributes Change to Disarmament Talks

The improvement on the Stock Exchange and on the foreign exchange market in spite of the complete absence of any improvement in the inflationary position may be explained mainly on the ground of the increase in disarmament hopes. An international agreement that would enable the Government to make really substantial cuts in military expenditure would lead to a noteworthy mitigation of inflation, not only through a reduction in public spending, but also through the development of a certain amount of unemployment in the arms industries. Owing to the scarcity of labor in the engineering industry as a whole, the unemployed would easily find jobs. Nevertheless, there would be a transitional unemployment which would moderate consumer demand for some time. The release of a number of young men from the armed services, too, would mitigate the scarcity of labor, and this might lead to a temporary moderation in the insatiable appetite of the trade unions for higher wages.

Since the disarmament discussions have now reached a decisive stage, investors and speculators are marking time to see which way they will develop. Should the talks break down, or should the result be disappointing, the Stock Exchange in general and the gilt-edged market in particular would resume their downward course. On the other hand, a reasonably satisfactory agreement, through both its material and psychological effect, would ensure a moderate boom during the coming months.

R. J. Haley With John Nuveen & Co.

Robert J. Haley has been named a sales representative of John Nuveen & Co. in their New York office, 40 Wall Street, C. W. Laing, Chicago, President, announced. He had been senior analyst, Committee on Valuation of Securities of the National Association of Insurance Commissioners, following World War II service as an AAF troop carrier pilot, and graduation from Fordham University.

John Nuveen & Co., a 59-year old investment banking organization underwriting and distributing municipal bonds exclusively, maintains offices in New York, Chicago, Boston, Cincinnati, St. Paul, Los Angeles, Detroit and Atlanta, the latter opening in 1957.

Federal Land Banks To Offer 2 New Issues

The 12 Federal Land Banks are arranging to offer publicly $183,000,000 of bonds to redeem $135 million of their 3¾s, due July 15, 1957, repay interim borrowing from commercial banks, and provide funds for lending operations, John T. Knox, fiscal agent of the Land Banks, announced on June 24.

The new consolidated bonds to be offered will consist of two issues. $60,000,000 of 4⅝% bonds due July 15, 1969, and $123,000,000 of 4⅜% bonds due July 15, 1958. Both issues will be offered for cash, no exchange privilege being given holders of the maturing 3¾% bonds.

The offering will be made through John T. Knox, Fiscal Agent, 130 William Street, New York City, with the assistance of a nationwide group of security dealers and dealer banks. He will announce the offering prices on or about June 27.

New Kohlmeyer Branch

LAKE CHARLES, La.—Kohlmeyer & Co. have opened a branch office in the Weber Building under the management of Minturn M. Snider. Mr. Snider was previously local manager for Howard, Weil, Labouisse, Friedrichs & Co.

Oppenheimer Branch

LIDO BEACH, N. Y.—Oppenheimer & Co. has opened a branch office in the Hotel Lido under the management of Samuel T. Cohn.

F. I. Du Pont Admits

On July 1st, Thomas A. Lewis will become a limited partner in Francis I. du Pont & Co., 1 Wall Street, New York City, members of the New York Stock Exchange.

Joins Bache Staff

(Special to THE FINANCIAL CHRONICLE)

RALEIGH, N. C. — Marion W. Rogers has been added to the staff of Bache & Co., 130 South Salisbury Street.

William V. Driscoll

William V. Driscoll, partner in Walston & Co., Inc., and a member of the New York Stock Exchange, passed away June 15.

George Mitchell Opens

BROOKLYN, N. Y. — George Mitchell is conducting a securities business from offices at 294 Webster Avenue.

Continued from page 5

Growth and Financing Prospects Of the Coal Industry

progress which has been made by the larger and more efficient organizations in reducing costs and making a good profit at extremely competitive prices.

Should Combine Small Firms

The solution to the problem which has been advanced by industry spokesmen is combination, to obtain the substance, management, facilities and reserves of a larger enterprise. There are several difficulties in effecting combinations of smaller units, including the rather characteristically rugged nature of the coal operator, the reluctance of a management or an owner to share responsibilities, authority and ownership, the fact that initially, combination might be more a sharing of problems than realizing immediate benefits, and the awkwardness of the initial negotiation when the participants may not be well prepared to provide a reasonably complete or accurate account of their own reserves, operations and finances. All of this work is in the field of activity of investment bankers. There is a close parallel in the work which must be done preparatory to financing and preparatory to a combination negotiation. Moreover, combinations can result in development of a vehicle which can arrange new financing on a basis unavailable to its constituent parts.

The question arises, I am sure, as to the dividing line as to size between companies which can obtain new financing on satisfactory terms and those which cannot. At this moment, there is no useful basis for such definition. No two companies are alike; different types of mining and different seams vary in their economic possibilities; the industry, outside of the leading independent companies, is privately owned and operating and financial data therefore are scarce; and the investing world's new interest in the industry is not well enough developed to show a real appetite for any but the best coal equities and credits.

For what it is worth, my own idea is that a 2,000,000 ton deep mine operation is about the low point for the type of financial assistance investment bankers could handle and in this size, the company would have to be well equipped along the lines previously outlined.

Forms of Financing

Basically there are two forms of financing, borrowing and selling stock. There are two markets —public and private. In actual financing everything is not as black and white as this but these guiding patterns prevail.

The natural inclination of a company is to borrow money on long-term arrangements if there is a reasonable prospect that the use of the borrowed funds will take care of interest costs and repayment, with something to spare. The ownership of the business is undisturbed and the benefits of the expansion are not dispersed.

To a degree this philosophy is to be warmly recommended if the position and prospects of the business eliminate any risk that the debt would cause trouble. Borrowing can be over done, however, without consideration of this risk factor. Financing the growth of a company — a continuous process — should be approached with careful long-term planning. The equity base of a company becomes all important. Borrowing power should be reserved carefully for emergencies and special opportunities for money which can be raised quickly.

Advantages of Shared Ownership

The sharing of the ownership of a company may be something that an owner-manager group may face reluctantly. There are advantages, however, which are considerable, especially in a growth industry, where a new dollar can have a real chance to produce earnings. Although the existing owners may not get all of the benefits, earnings applicable to their stock holdings should increase. Equally important is the prospect of a public market for the company's stock. Without repeating the desirable aspects of such a step which were previously outlined, there can be added: the prestige value among the industry, equipment suppliers, customers and others; the liquidity afforded family members frozen into investment but not usefully interested in the company; facilitation of evaluation and settlement of estates; the currency value of a marketable stock in acquisition of other companies and properties (including tax advantages in such transactions); the improvement of credit from stock marketability and the enlarged equity base; and the ability to attract young and able executives through stock option plans—which are becoming far more important than salary as inducement.

By relying too completely on stock financing in an extended period of expansion, a company loses some of the leverage aspects of use of debt, where temporary use of borrowed money creates an earning asset which can safely make net contribution to the owner's profits.

Relying too heavily on debt, a company can assume unwelcome risk, can use up its borrowing power, which might be a real handicap, and can impair the value of its equity, if it sought to sell additional stock. Any company overburdened with debt may be at a business disadvantage as well.

There are many varieties of securities within the basic framework of debt and stock. A desirable type of issue in some instances, if the company's stock already has a market or one is being created, is convertible debentures. Such debt often can be arranged on better terms than straight debentures and there is the prospect that the debt will be paid off by conversion into stock at prices higher than the stock would bring at the time of issue.

The position of each company considering new financing must be studied with great care, and decision as to the type of securities to be sold should be made to fit its position, plans and prospects, in the light of security market conditions. This is a matter which must be worked out between the company management and the investment banker, each contributing its skill and knowledge to reach the final determination. It is not a matter to be entered into lightly.

I have not mentioned bank loans, purchase money mortgages, equipment finance loans and other types of financing which do not fall in the province of the investment banker. These are all good facilities to the industry if used in the right way. They are all debt, however, in the sense previously discussed.

Private and public placement requires a brief comment. Private placement is ordinarily arranged by an investment banker with an insurance company, a pension fund, a university, a charitable or family fund or the like. Major

investment houses are in close relationship with such institutional investors. Instead of registering securities with the SEC and offering them to the public with an underwriting syndicate, negotiations are conducted to sell such securities directly to one or more of these funds.

The advantage of this arrangement is that the company has in effect a single outside investor, who works with it in confidence and may be approached readily if there is any need to revise or expand financing arrangements. A relationship of this sort can be a useful thing. The disadvantage is that such an arrangement also can be confining as such investors usually demand certain veto powers regarding further financing, limiting management flexibility. Also, the benefits of a public market are not obtained.

Whether to use private or public financing also must be determined in each individual case.

I have tried to keep my remarks on a practical vein. The growing need of the bituminous coal industry for additional funds to expand production and improve the efficiency and economy of its operations to reduce costs is all too apparent. The industry should spend between $1½ and $2 billion over the next five years for these purposes and that a great deal of this will represent new, outside money. This gives no consideration to technical developments in usage of coal arising from the industry's enlarging interest in research, which might provide new profitable uses for money.

The industry is in a new phase of growth and forward thinking companies which seek to take advantage of their opportunities will do well to explore the possibilities of arranging outside financing. The investment banking field is highly aware of the useful work which is to be done in bituminous coal and it can assure a cordial welcome and a sincere effort to be helpful.

H. L. Robbins Adds

(Special to THE FINANCIAL CHRONICLE)

WORCESTER, Mass. — Samuel C. Bean and Willy Nordwind have been added to the staff of H. L. Robbins & Co., Inc., 40 Pearl Street.

With S. E. Dunn Co.

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — Terry N. Bloss is now connected with S. E. Dunn & Company, 500 Griswold Street. He was previously with the Detroit Bank & Trust Company.

E. S. Webster Elected

Edwin S. Webster, Jr., senior partner of Kidder, Peabody & Co., 17 Wall Street, New York City, has been elected a Vice-President of the American Foundation for Allergic Diseases.

Joins Lloyd Fernald

(Special to THE FINANCIAL CHRONICLE)

SPRINGFIELD, Mass.—Herman J. Dillis is now associated with Lloyd D. Fernald & Co., Inc., 1387 Main Street, members of the Boston Stock Exchange. He was formerly with Jackson Steiner & Co.

With Gibbs & Co.

(Special to THE FINANCIAL CHRONICLE)

WORCESTER, Mass.—Colin W. Johnson is now connected with Gibbs & Co., 507 Main Street.

G. H. Walker Adds

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Walter L. Boeger is now connected with G. H. Walker & Co., 503 Locust Street.

Household Finance Debentures Offered

An underwriting group headed jointly by Lee Higginson Corp., White, Weld & Co. and William Blair & Co., on June 25 offered publicly a new issue of $40,000,000 Household Finance Corp. 5% sinking fund debentures due 1982. The debentures are priced at 99% to yield 5.07%.

The proceeds will be used to reduce short-term bank loans which were incurred under the company's established lines of credit to provide additional funds for lending to customers in the usual course of business.

Household Finance is one of the largest organizations in the consumer finance, or small loan, business. The company has a total of 842 branch offices located in 577 cities of 37 states, and all Canadian provinces.

The debentures will be redeemable at prices ranging from 103¼% for those redeemed in the 12 months starting July 1, 1967, to 100% for those redeemed after July 1, 1978. A sinking fund will redeem debentures at 100%.

In 1956, operating revenues reached a new record for the 11th consecutive year, amounting to $114,937,373, compared with $97,133,643 in 1955. Net income amounted to $21,445,518, a new high for the 10th consecutive year, up from 1955's $16,877,670.

Proctor Elder Opens

FT. WORTH, Texas — Proctor Elder is conducting a securities business from offices at 1903 South Riverside Drive. Sam L. Anderson is a limited partner in the business.

David I. Feinman Opens

NEW YORK CITY — David I. Feinman is conducting a securities business from offices at 225 West 34th Street. Mr. Feinman was previously with First Investors Corp.

Inv. Planning

HOUSTON, Texas — Investment Planning Services, Incorporated, has been formed with offices in the Manhattan Building to engage in a securities business. Harry Bornstein is a principal in the firm.

Fiscal Policy Implications Of Reduced Appropriations

By ALBERT GAILORD HART*
Professor of Economics, Columbia University

Despite admitted forecasting difficulties, Columbia University professor urges Congressmen to lay plans for temporary tax cut that would take effect as economic activity sags, and recommends use of three-month forecasting periods. Professor Hart points out how various factors involved in defense spending complicate fiscal-tax policy, and maintains that in the event of rapid military technology advance and appropriations cut there would be a hoarding of unobligated authority and shift in orders to new models of unusually long lead time with reduced production spending.

In utopian pictures of fiscal policy aimed at economic stabilization, government spending often figures as a "policy variable," to be raised or lowered as may be needed to avert mass unemployment and inflation. But in today's world of military insecurity, this sort of manipulation of expenditure is off the map. We are spending so much more than anybody would justify if we had peace that there is a natural tendency for any relaxation of world tensions to reduce Federal appropriations, and for the intermittent jolts which remind us of our danger to increase appropriations. The resulting changes may happen to conduce to economic stability or the opposite. If fiscal policy as a whole is to exert a stabilizing influence, it follows, taxation must take up the slack.

Prof. A. G. Hart

Needs for taxes cannot be guaged very closely for the on-coming year. Even if we adopt a specific assumption for the outcome of the appropriation process, we have to face the fact that much of the defense appropriations are to pay for equipment with a long "lead time"—to be ordered in 1957-58, and delivered two to five years later. The effect of a change in such appropriations on **government expenditure** in the 1957-58 fiscal year, as everybody agrees, will be small. But the effect on government expenditure itself is not all that we must consider. When orders are placed for such equipment, suppliers are led to put in new facilities and then to incur production costs — building up their inventory of materials and goods in process. Such business outlays based on military orders are in effect **privately-financed deficit spending on government account.** The economic effects of appropriations of this sort are felt **before** the equipment is delivered and government funds paid out.

Unobligated Authority

The problem is further complicated by the fact that there is a considerable carryover of **unobligated** authority to place orders from one fiscal year to the next. The current budget, for example, contemplates that the Defense Department will enter the 1957-58 fiscal year with $10.6 billion of unobligated authority and end the fiscal year with $7.9 billion. (This practice, by the way, conflicts with the dictum of the Budget Message that appropriations "are enacted to cover **obligations expected to be incurred within the fiscal year,**" and is an index of the degree to which the appropriation process fails to control operations.).

By using up some of the margin of discretion they had aimed to hoard up for later fiscal years, the defense authorities might absorb a cut in appropriations and let almost no economic impact come through. On the other hand, they might slow down the rate at which they obligate funds through new contracts, so as to be able to get improved models of various weapons presently even though they have bad luck in getting new appropriations.

To forecast the effective spending decisions of government, in short, is as tricky as any problem of economic forecasting, even if we assume away the uncertainty about appropriations. For what it is worth, my forecast is that the combined effect of a cut in appropriations and the rapid advance of military technology will be to intensify the hoarding up of unobligated authority, and to shift orders to new models of unusually long lead-time—stimulating business spending on defense-production facilities, but holding back business spending on actual production-costs.

Tax Weapon

It seems to me that we are entering a period when tax policy must be much more adaptable to the course of events than it has been since 1950. I have in mind in particular the problem of limiting the next recession — remembering that we have no way to predict accurately either its timing or its intensity. In both the last two recessions, as can be seen in the table below, we got through so well largely by good luck. In the 1948-1950 recession, the combined fiscal operations of Federal, state and local governments shifted to a deficit basis just in time to cushion the downswing and help reverse it. The deficit was opened out less by the drop in tax receipts than by a bulge in total government expenditures. The fact that this was the period of expanding Marshall Plan outlays, of decompression of local public works after long delays, and of the dividend on government life insurance had some indirect relation to the easing of pressure on the economy; but the fortunate timing of the growth in expenditure (as well as of the personal tax cut effective in January 1949) was more good luck than good management.

In the 1953-55 recession, we did have fiscal operations on a deficit basis. But if we allow for privately-financed deficit spending on government account, the effective deficit during the downswing was of about the same size as in the preceding boom; and the effective deficit tapered off during the downswing and turned into a surplus early in the upswing. Taxes on this occasion cushioned the recession by dropping sharply; and, of course, part of this drop reflected the end of the excess profits tax, based on a correct expectation of reduced government spending and reduced economic pressure. On the whole though, we got our revival not out of fiscal policy but out of private spending on plant and equipment, the auto boom and housing expansion (partly the fruit of easy money), and the reversal of the inventory swing.

In the next recession, we are likely to lack one factor which helped in 1953-55 — the heavy backlog of defense orders. The amount of such orders outstanding has declined substantially relative to operations in industries that produce for defense, and a further fall seems probable. In consequence, business activity will probably be more sensitive to current fiscal policy (including new defense orders).

Wants Effective Tax Action

My conclusion is that it is urgent to lay plans for a tax cut that can be put in force on short notice if activity sags. In my judgment, any such cut should be in good part on a **temporary** basis—with reduced rates to revert to higher normal levels at a stated date unless Congress deliberately extends the reduction. Lacking this kind of advance planning, we are terribly dependent on unreliable forecasts. The ordinary pattern of enacting taxes in the spring of one year for application beginning in the ensuing January means that to have the right taxes involves accurate forecasting of tax needs more than a year ahead. Forecasting is not that accurate. But as we saw in 1950, it is feasible to change income-tax withholding within the year (say on quarter-dates), and to tune annual tax rates and declaration arrangements to the withholding. That is, we can put policy in line with business conditions by using much more reliable three-months forecasts, if we can set up alternative withholding schedules, and focus the decision on whether to hold the present schedule or shift to another in the ensuing quarters.

TABLE I

Fiscal Operations of Federal, State and Local Governments, Including Privately-Financed Deficit on Government Account, Quarterly, 1950-1956

(Billion Dollars: Seasonally adjusted annual rates)

	Govt. Operations as Shown in Social Accounts			Major Items of Privately-Financed Deficit on Govt. Acct.			Adjusted Figures	
Year and Quarter—	Taxes A	Expenditure B	Surplus or Deficit (—) C	Inventory Growth D	Defense Facilities E	Less Amort. Charged F	Expend. (B+D+E—F) G	Surplus (C+G) H
Period 1: *End of postwar inflation*								
1947—1st Quarter	57	42	15	*	*	*	*	*
2nd Quarter	56	42	14					
3rd Quarter	56	46	10					
4th Quarter	59	45	14					
1948—1st Quarter	60	46	14					
2nd Quarter	59	51	8					
3rd Quarter	59	54	5					
Period Average	58	47	11	*	*	*	*	*
Period 2: *1948-49 downswing*								
1948—4th Quarter	59	55	4	*	*	*	*	*
1949—1st Quarter	57	59	—2					
2nd Quarter	56	61	—5					
3rd Quarter	57	60	—3					
Period Average	57	58	—1	*	*	*	*	*
Period 3: *Pre-Korean recovery*								
1949—4th Quarter	57	60	—3	*	*	*	*	*
1950—1st Quarter	†58	67	†—9					
2nd Quarter	†62	60	† 2					
Period Average	†59	62	†—3	*	*	*	*	*
Period 4: *Korean-war open inflation*								
1950—3rd Quarter	74	56	18	—1	0	0	56	16
4th Quarter	77	62	15	3	3	‡	68	9
1951—1st Quarter	89	69	20	3	3	‡	75	14
Period Average	80	63	17	2	2	‡	67	13
Period 5: *Post-Korean plateau*								
1951—2nd Quarter	85	78	7	5	4	‡	87	—2
3rd Quarter	83	83	—1	5	4	‡	92	—9
4th Quarter	87	88	—1	3	4	‡	85	—8
1952—1st Quarter	91	80	2	2	5	—1	95	—5
2nd Quarter	89	94	—5	‡	5	—1	98	—9
3rd Quarter	89	97	—7	1	4	—1	101	—11
4th Quarter	94	98	—4	1	4	—1	102	—8
1953—1st Quarter	96	101	—5	1	4	—1	105	—9
2nd Quarter	97	103	—6	1	3	—1	106	—9
Period Average	90	92	—2	2	4	—1	98	—8
Period 6: *1953-54 downswing*								
1953—3rd Quarter	96	101	—5	‡	3	—2	103	—6
4th Quarter	91	102	—11	—1	2	—2	102	—11
1954—1st Quarter	88	98	—11	—3	2	—2	97	—9
2nd Quarter	89	96	—7	—3	2	—2	93	—4
3rd Quarter	89	96	—6	—2	2	—2	93	—4
Period Average	91	99	—8	—1	2	—2	98	—7
Period 7: *1954-55 recovery*								
1954—4th Quarter	92	95	—3	‡	2	—3	91	—3
1955—1st Quarter	97	98	—1	‡	2	—3	97	‡
2nd Quarter	99	98	1	‡	2	—3	98	1
3rd Quarter	102	98	4	‡	2	—3	97	5
Period Average	97	98	‡	‡	2	—3	96	1
Period 8: *1955-57 plateau*								
1955—4th Quarter	105	100	5	2	2	—3	101	3
1956—1st Quarter	105	101	4	2	2	—3	102	3
2nd Quarter	106	102	4	1	1	—3	101	5
3rd Quarter	107	104	3	‡	1	—3	101	6
4th Quarter	112	107	5	—2	‡	—3	102	10
1957—1st Quarter								
2nd Quarter								
3rd Quarter								
4th Quarter								

*Not available in comparable form. †Corporate tax accruals due to October, 1950 legislation removed. ‡Between $500,000,000 and —$500,000,000.

SOURCES:

Columns A—C: SURVEY OF CURRENT BUSINESS, national income series. Column A shows corporate and indirect taxes on an accrual basis; see note (†) for adjustment in 1950. Column B includes purchases of goods and services, transfers and interest. Column C is "surplus on income and product account" as included in "gross saving."

Column D: Inventory changes in manufacturing of machinery and transportation equipment. Book values from SURVEY OF CURRENT BUSINESS are reduced to 1947-49 dollars by quarter-end values of the BLS wholesale index for machinery and motive products; changes are inflated back to current dollars by quarterly averages of the same price index.

Column E: Rough estimate of plant and equipment put in place, which is sufficiently defense-connected to be covered by rapid amortization. Computed and seasonally adjusted by AGH for this memorandum from data of U. S. Treasury and Office of Defense Mobilization.

Column F: Allocation of Treasury estimates of amortization deductions by years. This is subtracted as representing funds made available by reimbursement of contractors for earlier capital outlays.

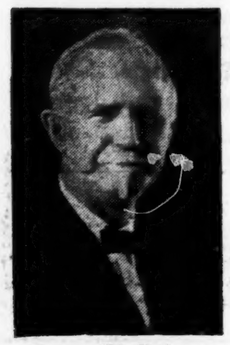
*Statement by Professor Hart before the Joint Economic Committee, Washington, D. C., June 4, 1957.

Farm Products Price Factors

By ROGER W. BABSON

Developments that may reduce the farming price structure considerably may also increase the price of farm land, according to nationally known financial advisor. Other factors affecting future price of farm land are indicated by Mr. Babson.

For several years a member of my organization has been attending the annual Chemurgic Conferences in the Central West. These meetings are to help farmers market their crops for industrial purposes and not merely for food. People will always be able to spend money on food, shelter, and luxuries, but a rich person can eat no more than a poor person and probably not as much. However, the percentage of fruits and green vegetables consumed increases considerably more than the demand for wheat, corn, potatoes, and other staples. Progress along chemurgic lines will increase the value of much farm property.



Roger W. Babson

Atomic Wonders

Atomic wonders may revolutionize farming. There is much discussion in newspapers today about the dangers of "fall-out" after the explosion of a hydrogen bomb. It is feared that these "fall-outs" may result in the birth of babies with two heads or with some other deformity. This would be very unfortunate for people, and might also affect cattle and fowl; but atomic farming may be a worthwhile new development in the case of agricultural products.

The spraying of fruit and other trees to keep destructive insects may be entirely changed. Instead of being sprayed as at present, they will be sprayed with electrical rays. This will enable the birds to come back again. These birds will soon kill off insects and enable the chemurgic cycle to progress as God intended.

The Gibberellin Wonders

Some years ago the Japanese noticed that plants which adjoined a plant with a certain fungus had a remarkable growth. This was found amongst the rice plants especially. Later this fungus was reduced to an acid and used in the ratio of 0.1 to 10 parts per million parts of solution (usually potassium salts and water). Exhibitions are reported where you can almost see the plant grow from hour to hour. The sprays are fairly cheap and—although not yet passed by the Food & Drug Administration — yet they may revolutionize fertilizers. Instead of mixing chemicals with the soil, the seeds, sprouts, and leaves of the plant are sprayed.

Experiments show that this spraying results in taller forest trees, better yields for pulpwood, and improved fiber crops, such as cotton. Gibberellins also lengthen the stems of flowers, hasten development of transplants, and reduce the work of farmers and gardeners.

Improving Pasture Lands and Lengthening Seasons

Gibberellins make grass greener in pastures. In Florida, where 10 acres are now needed to pasture cattle, only three acres may be needed with use of Gibberellins. Texas cattle may be fattened in their native pastures instead of being sent to Kansas or other Central States for fattening. It is rumored that Gibberellins may reduce the price of the best steaks to one half their present price. In fact, the entire price structure of cattle, hogs, and other grass-fed animals may be revolutionized.

But this is not all that the Gibberellins can do. They may make the raising of fruit, corn, and other products which are subject to frosts a safer business by extending the growing season.

Price of Farm Land

Although these developments discussed above may hold down price of farm products, they could easily increase the price of farm land. Don't be too quick to sell your farm land. This especially applies to small farms near cities where the land could be divided up for residential properties.

Also, remember that the new highway systems to be built by the government may elongate cities. That is, instead of a city being five miles square as the average city is today, it will be one-half mile wide on each side of the new highway and 10 miles long. This should greatly improve the price of certain present unprofitable farm land. Besides, one of the new "rare earth metals" may be found on your farm—some of which I will mention: Cerium, Dysprosium, Erbium, Europium, Gadolinium, Holmium, Lanthanum, Lutetium, Niobium, Praseodymium, Promethium, Samarium, Terbium, Thulium, and Ytterbium.

Joins White Staff

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—Oren L. Setzekorn is now associated with White & Company, Mississippi Valley Building, members of the Midwest Stock Exchange.

With Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

OMAHA, Neb. — Donald M. Pedersen has been added to the staff of Merrill Lynch, Pierce, Fenner & Beane, Patterson Building.

Irving Weis To Admit

Irving Weis & Co., 40 Exchange Place, New York City, members of the New York Stock Exchange, on June 27th will admit Jules R. Huber to partnership. Mr. Huber will acquire the New York Stock Exchange membership previously held by Arthur Mark, another partner in the firm.

APA Inc. Formed

MINNEAPOLIS, Minn. — A P A Incorporated is engaging in a securities business from offices at 523 Marquette Avenue. Officers are Truman E. Anderson, president and treasurer; Theodore C. Bartling, Vice-President; Robert L. Henrette, Secretary. Mr. Anderson was formerly with Anderson-Plank-Arnao.

Continued from page 13

Atomic Energy Prospects For Private Electric Power

sideration, as well as my own size-up of the controversy, it is my belief that a great many of those who favor government development of atomic power are motivated principally by a desire to use the atom as a means of furthering government electric power production.

We have lived with the Tennessee Valley Authority, the Bonneville Power Authority, the Rural Electrification Administration and other subsidized Federal power programs long enough to know what they are. They offer benefits to a privileged few at the expense of all the taxpayers of the nation. We also have lived with these subsidized operations long enough to know that throughout their histories, step by step, they have gone far beyond the reported intent of those who promoted them. TVA, for example, was promoted as a river development project that also would market any surplus electric power produced incidentally at its dams. However, two-thirds of its generating capacity is now in steam plants and only one-third in hydro-electric plants. REA cooperatives, created for the alleged purpose of distributing electricity to residents of rural areas to whom central station service was not available, now engage in activities ranging from attempting to connect customers already served by investor-owned companies to seeking franchises in good-sized cities served by utilities.

Electric Industry's Progress

Against this background it pleases me to report the amount of activity in nuclear power development that has taken place since passage of the Atomic Energy Act of 1954, which for the first time allowed private ownership of reactor facilities. At present, 69 companies in our industry are participating in 14 power reactor projects of various promising types which are expected to have an electric capacity in excess of 1,500,000 kilowatts and which involve over 400 million dollars of investors' funds.

The power companies in New England are playing a very important part in the reactor development program of our industry. The Yankee Atomic Electric Company project, now under construction in Rowe, Mass., and the larger power reactor which New England Electric System has announced it will construct on its own system later on, are a real credit to the companies participating in these projects. They are illustrative of the vigor with which our industry is pursuing the development of atomic power.

When Should the Government Enter?

Today no one can say with assurance what will be the best reactor system for commercial use. Only by following an orderly pattern of research, development and construction of the most promising reactor types can we hope to determine what type or types ultimately will be most attractive. Accordingly, our nation's program now includes development work on a number of different basic reactor types, plus variations and improvements of certain of those types. Historically, this orderly basis of research and development along promising routes has resulted in the most progress, and progress is being made in the atomic power field. To have our scientists and engineers change this logical course to one of just building lots of uneconomic atomic kilowatts would seem a waste of two scarce commodities — scientific brain power and public funds.

In the past, when the AEC has said that a particular reactor type has advanced to the point where it is ready for pilot plant or full-scale construction, some company or other non-Federal group, within a reasonable time, has offered to build the reactor. It is my view that the Federal Government should not undertake construction of reactors of designs planned, underway, or in operation by industry or other non-Federal organizations. Furthermore, it is my opinion that the Federal Government should not undertake construction of a promising design not being developed unless and until it is conclusively shown that industry or other non-Federal organizations are either unable or unwilling to undertake development of such a reactor, with or without some government financial assistance.

Problems to Be Solved

Many problems must be solved before atomic power becomes more economically attractive. More knowledge and experience are needed for virtually every phase of atomic power plant performance.

One problem, for example, has to do with preparation of nuclear fuels for use in a power reactor. As you know, mining of coal is a fairly simple operation, as is the washing and screening process by which foreign matter is removed from coal before it is pulverized and inserted into a furnace. Uranium, on the other hand, must be extracted from the naturally-occurring ores which frequently contain less than 1% uranium. Several chemical processing steps are required to purify and concentrate the uranium before it is suitable for use as reactor fuel. Moreover, the metallic uranium generally must be fabricated into special shapes, which often requires precision machining, and encased in a jacket of a metal such as zirconium or stainless steel. The jacket or cladding protects the fuel from corrosion during the reaction. These various steps of preparing uranium for use in a power reactor are considerably more complex and expensive than those required in preparing coal for burning in a boiler.

We must learn also how to get better performance from the uranium fuel. Only about seven-tenths of one percent of natural uranium is U-235, the isotope or form of uranium which can be fissioned to release some of its energy. A cube of refined metallic natural uranium weighs 5½ pounds. Only seven-tenths of one percent of this cube, or six-tenths of an ounce, is the fissionable U-235 isotope, the basic atomic fuel. The remaining 99.3% of natural uranium—called U-238—is not normally fissionable but can be transformed into atomic fuel if placed in a reactor with fissioning U-235.

The process by which the U-235 isotope is separated from natural uranium is carried out in the government's gaseous diffusion plants at Oak Ridge, Tenn.; Paducah, Ky.; and Portsmouth, Ohio. These plants are operated principally for the purpose of providing materials for our defense effort, but they are also the sources from which atomic fuels for most power reactors are obtained. While I am something less than an authority on this process, which requires a plant several blocks long containing literally thousands of motors and pumps, I hope you will take my word that the process is both complex and costly. The amount of electric power required to run them is indeed staggering, for the three plants require about one-tenth of the electric energy produced in the United States.

Removing the Ashes

Present experience indicates that less than one percent of the atomic fuel in a reactor can be burned before the fuel must be replaced, which now requires shutting down the reactor. Shutting down the reactor at frequent intervals is costly, but must be done so that the "ashes" of the reaction will not extinguish the atomic fire and the unused uranium will not become distorted physically. By contrast, conventional plants burn about 90% of the coal that is fed into them.

Another problem with present power reactor designs is that they produce steam at temperatures and pressures which are a throw-back to power plant technology of at least 20 years ago. Throughout its history our industry has continually improved the thermal efficiency of power plants by going to higher and higher steam temperatures and pressures, and progress still is being made in this area. The practical effect of this has been the use of less and less fuel to generate a kilowatt-hour of electricity. Reactor designers have a real incentive to find ways of improving the characteristics of steam produced at nuclear installations so that better thermal efficiencies of power reactors likewise can be achieved.

Still another problem to be solved relates to finding a safe and inexpensive way of disposing of the waste products formed when atomic fuel is burned. These radioactive "ashes" of the atomic burning give off many times more radiation than humans can safely stand, and some of the "ashes" have lifetimes of hundreds of years. At present some of the less dangerous wastes are buried in plain holes in the ground or in concrete-lined pits. Other wastes are packaged, shipped out to sea and dumped. The deadlier material for the most part is stored in costly underground steel tanks. Unfortunately, the hottest wastes may outlive the steel tanks so some better way has to be found to guard against these wastes.

The scientists are actively at work on this problem and claim to have some good prospects for solution. Research is being done on pumping the wastes into abandoned oil wells and underground salt domes 5,000 to 15,000 feet below the surface, where the materials presumably could not contaminate drinking water or other natural resources. A disposal method that looks practical and economical, according to some experts, is to mix the most dangerous wastes with a special clay and than bake the clay to lock in the wastes. The finished product

can be buried in underground caves with no apparent danger that water will unleash the radioactivity.

Hopeful of Costs in the Future

In spite of the substantial problems involved, there is real hope for lower atomic power costs in the future. The manufacturers are now having to custom-make each reactor because virtually every one being built is substantially different from the others. Once commercially usable reactor designs are determined, through construction and operating experience, the manufacturers should be able to start making more than one at a time and costs will come down. As with conventional boilers, reactors of larger and larger sizes are expected to be built in the future with a consequent improvement in unit costs. With the experience which will be gained through AEC's basic research and development program and through the construction and operation of the many atomic power plants now on the way, it is expected that ways will be found to decrease the cost of fabricating atomic fuel, to increase the life of the fuel in the reactor, to dispose of wastes more economically and to improve upon the many other techniques and processes involved in the production of atomic power.

How safe are atomic power plants? While I am sure that no one would try to minimize the hazardous aspects of these plants, there is convincing evidence that reactors can be safely operated. AEC has compiled a remarkable safety record in its 12 years of experience with operating reactors. During that period 25 reactors have been safely operated in AEC facilities (actually by private contractors) for a total of over 600,000 hours involving about 18 million man hours. There were no accidents involving contamination of off-site property, and there was no radiation injury sufficiently serious to cause lost time of personnel. It is interesting to note that an industrial research reactor is currently operating within the city limits of Chicago and that AEC has issued construction permits for large power reactors to be located within 14 miles of Joliet, Ill. (population 52,000) and within 25 miles of New York City. A reactor is a relatively sluggish piece of machinery and making it stop work seems to be easier than keeping it going.

Nuclear Equipment Line

I am sure that you are interested in what all this means to investors today. You might ask whether the entry of the electrical equipment and boiler manufacturers into the nuclear equipment field should be regarded as a bullish influence on their securities. I would answer by stating that I think it should be considered bullish, but only from a long-term point of view. I say this because in the early years the nuclear equipment line may offer limited profit possibilities. Experience of several leading manufacturers to date seems to bear out this statement.

You might ask also whether investors should favor common stocks of electric utility companies that are constructing or joining in the construction of nuclear power plants. My answer would be that you should not favor such common stocks for that reason alone, although in my opinion participation in nuclear power projects indicates farsightedness on the part of management. However, speaking realistically, I would not expect that nuclear projects would be a source of profit to such companies, particularly in the early years of nuclear power development.

In conclusion, let me say that I have great faith in the ability of our engineers and scientists to solve the many complex problems in the atomic power field. They have been confronted with problems just as difficult in other fields and have solved them. The need for developing commercial atomic power is with us. The potentiality exists for economically attractive atomic power. I believe it is only a matter of time before potentiality becomes reality.

Securities Salesman's Corner

By JOHN DUTTON

The Very Wealthy Client

Occasionally you will meet with a potential client who is in the 90% income tax bracket. When you do, it might be well to consider some of the different aspects of investing that such a person might consider. One of the most important things to remember in clientele building is that each one of your customers and prospects has certain individual goals, aspirations, and a different emotional approach to investment. Unless you learn to meet with people on a plane of understanding with them, you will find it difficult to do a consistent and profitable volume of business that is satisfactory to both yourself and your client.

What Does 90% Tax Mean?

Just for a moment project yourself into the category of a man paying an income tax of 90%. First of all that means that more than likely you have already arrived at a point where conservation of capital and a fair income return are secondary considerations. You have very little incentive to increase ordinary income and you are in a position to take the sort of chances that a person in a lower tax bracket could not entertain.

Again, you may have so much capital that further investment just for ordinary income has lost its appeal. I happen to have heard of a man who had so much capital that he once told an investment man that "money didn't mean anything to him anymore." He actually did not know how much he was worth. Yet this man would take a twenty dollar bill to the race-track, put five dollars on four long shots, and if his horse came in at long odds he was as pleased about this as a ten-year-old boy would be with a $100 spinning rod. That is why some very wealthy investors and those in the high income brackets have been going into "win or lose" oil drilling ventures. It costs them very little if they lose and there is the "kick" out of hitting a long shot that appeals.

Again, if you are in the 90% tax bracket, you undoubtedly are interested in tax exempt securities. Certain common stocks offer a partial haven, and municipal and turnpike revenue bonds also have their appeal. But there is a limit that even this type of investment can approach when it comes to satisfying the investment needs of certain very wealthy people. Take the case of an investor with a tax-free spendable income of $5,000 a week. What incentive is there to continue buying more and more tax-free securities if you have been doing this for years? Money at this stage loses its importance and although you may occasionally buy a few bonds, or investment grade commons, there is an entirely different attitude of "urgency" about investment, on the part of a man in this category than is present among the rest of us.

The Accounts Do Exist

Although your experience may be that you will only have the opportunity of doing business with investors in this category on very rare occasions, it is well to be ready when and if it might happen to you—and it can. If you will keep these facts in mind you will be alerted to the possibilities of offering some highly speculative securities to such a man—as well as the usual high-grade investment-type securities. It is quite possible that if you can understand his position, he might find your unorthodox approach a welcome change and a stimulant to his investment thinking.

In my own limited experience I have known several investors who were worth upwards to $50 million. One man bought the wildest cats and dogs from a small unlisted dealer who would telephone him long distance half way across the country. These low priced speculative stocks were well researched, however, and many of them turned out to be fabulous profit makers. Some of them, of course, got nowhere or fell by the wayside. But this man got his pleasure out of buying thousands of shares of $2.00 stocks and watching these "long shots" pay off or finish out of the money.

I have known several other very wealthy men who were the plainest, everyday, most approachable fellows you could ever meet. Their tastes were simple and their lives were devoid of even the sort of excitement that the most of us take for granted. They had long ago lost the feeling of urgency and insecurity that most men have to live with most of their lives. They were actually pleased to have a little excitement for a change. Don't forget, the very wealthy investor can do business with you just as readily as anyone else, and if you meet him someday it might not be such a bad idea to keep these things in mind.

Coburn & Middlebrook Open Branch Office

DOYLESTOWN, Pa.—Coburn & Middlebrook, Incorporated have opened a branch office in the Fountain House Hotel under the management of Carmen C. Coleman.

Gilligan, Will Admits

Albert Will became a partner in Gilligan, Will & Co., 123 Greenwich Street, members of the American Stock Exchange, on June 1.

New Blyth Branch

OXNARD, Calif.—Blyth & Co., Inc., has opened a branch office at 309 South A. Street, under the direction of William B. Clemmer.

Prospect of Chronic Inflation And Its Impact Upon Insurance

By CHARLES R. WHITTLESEY*
Professor of Finance and Economics
Wharton School of Finance and Commerce,
University of Pennsylvania

Though asseverating that the insurance industry could not justifiably continue in business if it accepted inflation—even if it were "creeping"—as inevitable, distinguished finance authority opines, however, "that the idea of inflation as a continuing phenomena is a delusion unsubstantiated by either history or logic." In addition, the Wharton School Professor challenges the view that higher wages cause higher prices. Without condoning or admitting "creeping inflation," Dr. Whittlesey assumes this in order to examine its possible bearing on life, and fire and casualty insurance. The author points out: (1) central banking and other stabilization authorities' responsibility in holding back temporary wage-cost-push impact until deflationary potentials materialize; (2) we cannot both escape war spending induced inflation and balanced budget and enjoy great tax relief; and (3) inflation would not be a threat to life Insurance industry, and would stimulate interest in variable annuities.

The present paper is divided into two principal parts. The first is devoted to examining, and incidentally to challenging, the view that continuing inflation, whether of large or small degree, is as certain as seems presently to be assumed. The second part is concerned with the bearing which creeping inflation would tend to have on the two main divisions of the insurance industry, life insurance and fire and casualty insurance. Before attempting either, however, it is necessary to indicate the sense in which I shall be using the term "inflation".


Dr. C. R. Whittlesey

There is an endless variety of definitions of inflation, all of them, one is tempted to say, unsatisfactory. I shall not add to existing confusion by attempting still another definition. I shall employ it simply as referring to a rise in the price level (measured by any standard index such as that for wholesale or consumer prices) which is of a degree greater than can be thought of as a temporary fluctuation away from an approximately stable average. "Creeping inflation" suggests to me a rise in the price level which, though small, is continuous rather than temporary and steady rather than spasmodic. If I am not mistaken, these interpretations are in accord with prevailing usage among the general public, which is the usage with which I wish to conform.

The Myth of Chronic Inflation

Implicit in the title of my paper are two assumptions, neither of which, for reasons to be indicated later, I am willing to concede. The first is that the insurance industry is faced by the prospect of continued inflation, and the second is that the inflation if it comes can be expected to be of a creeping character. Under the circumstances, I have no choice but to analyze insurance company prospects in terms of these two assumptions but I do so with distinct reservations.

Before considering the possible effects of inflation on insurance, however, I wish to deal with the familiar view that inflation is a chronic disease. I shall undertake to show that the idea of inflation as a continuing phenomenon is a delusion unsubstantiated by either history or logic. Inflation may legitimately be regarded as one of the dangers against which insurance leaders should be constantly alert but it would be bad public policy for the country as a whole and bad public relations for the life insurance industry in particular ever to acknowledge that inflation, creeping or otherwise, is inevitable.

The historical evidence on which I shall draw relates to experience in the United States. It is obviously impossible in . . . [a paper] of this sort to present price level data for all countries . . . even if I were qualified to do so. Moreover, since the belief in chronic inflation is so strongly held in the United States, American data should be sufficient for purposes of analysing the contention that inflation is endemic. May I say, however, that while the historical evidence would differ for other countries, in some cases rather widely, my conclusion that inflation is not inevitable is offered as applying to foreign countries as well as to the United States.

Historical Evidence

Look at the long-term record of wholesale prices in the United States. Historical movements in wholesale prices in the United States since 1800 are presented in Chart 1, taken from the official chart book of the Board of Governors of the Federal Reserve System. The comparisons presented here bring out the little known fact that wholesale prices in the United States stood at approximately the same level from 1921 to 1928 or in the year 1942 as they did in the years from 1800 to 1810. In other words, the dollar would buy as much at wholesale in terms of a representative group of commodities in 1925 or 1942 as it would 125 or 140 years before. Far from supporting the idea that inflation is a continuing phenomenon, the historical record of these years discloses a remarkable continuity in the level of wholesale prices.

It is further to be noted from Chart 1 that inflation in the United States has been a wartime phenomenon. We see here no case of significant inflation in time of peace. The record seems to suggest that if we succeed in preserving the peace we can reasonably expect—on the basis of historical precedent, at least—to maintain the purchasing power of our money. The proper adjective to apply to the history of inflation is certainly not "creeping". We have seen running, galloping, soaring, staggering but not creeping inflation. The typical pattern in the history of the United States is leaping wartime inflation followed, until the latest episode, by plunging deflation. The deflationary part of the historical pattern now appears, I am glad to say, to have been broken.

It is worth noting that the period from 1896 to 1914 comes about as near to being a period of "creeping" and peacetime inflation as any shown on this chart. (You will note that I am not including the years immediately after the Second World War as a period of peace.) Yet the period before the First World War, which is sometimes described as "the Golden Age of the Gold Standard," is a period to which, so far as I know, the term inflation has never been applied. From 1897 to 1910 the average annual rise in the wholesale price index was approximately 3½%. The rise in **each** year for 13 consecutive years was as great as in the **entire** five-year period from 1952 to 1956. The earlier period was not regarded as one of inflation! The current period has been filled with alarms about this so-called "creeping" inflation!

It comes as a surprise to most people to be told that the historical record of prices in this country discloses such stability as I have pointed out from Chart 1. People seldom take as long a view as I have offered in this chart. It is usual also to compare unlike periods, such as a period following some wartime inflationary experience with a period of depression which may have occurred a decade or so before. To be valid, price comparisons should be between like periods, a peak with a peak, for example, or a trough with a trough. On such a comparison the picture of a continually depreciating or indeed even a gradually depreciating monetary unit quickly disappears.

The explanation of the high degree of stability over long periods of time shown by this chart is to be found mainly in the progress of technology. A good example of the effect of technological advance is the common iron nail. Back in 1800, nails for building purposes were hammered out on an anvil, the old square-cut, wrought-iron nails. Today nails are made by squeezing them out, much as spaghetti is squeezed out. As a consequence, they sell for more nearly the price of spaghetti. This process of cheapening through technology is far from being at an end. A recent announcement by one of the large American steel companies told of a new type of nail of lighter weight and slightly different design. This nail will not only be of higher quality than the usual nail but it will sell for appreciably less than the old nail. And note that this announcement came at a time of rising steel prices and active discussion of "creeping" inflation.

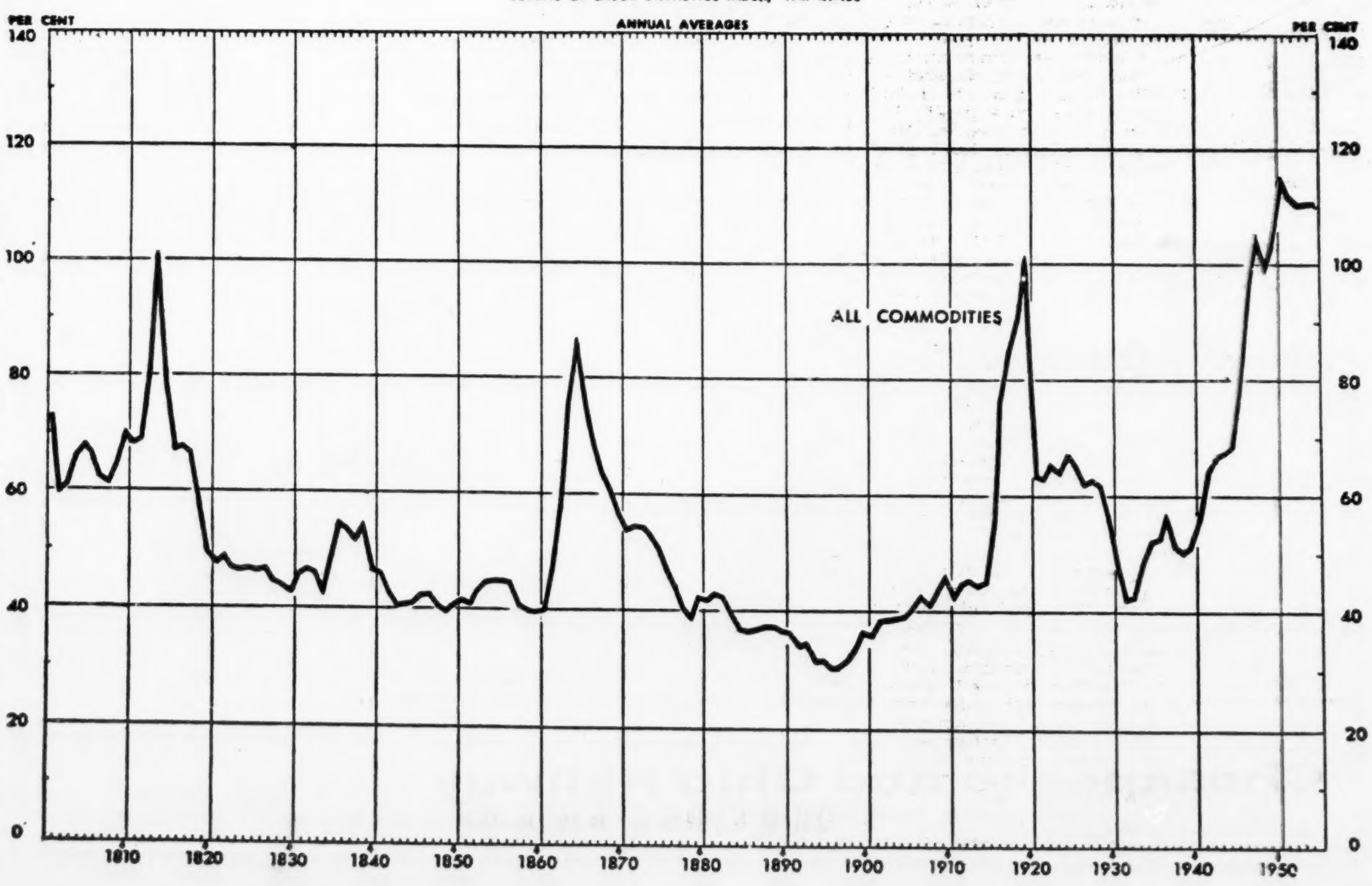
The story told by the record of wholesale prices from 1800 to 1940 is that in peacetime the cheapening effects of better technology were sufficient to give a very high degree of stability to the general level of commodity prices. The inference for the future is clear. Unless we are to suppose that the rate of inventiveness has slowed down or something else has come along to offset it, we should surely assume that the process of technological advance which has contributed so much to maintaining price stability in the past will continue to contribute to the prevention of inflation in the future.

Wage Increases As a Cause of Inflation

There are many . . . I suspect, who would accept what I have stated so far but would feel that such evidence from the past has been invalidated by the rise of powerful labor unions. It is widely held that recurrent rounds of wage increases forced upon employers by the strength of trade unions are bound to drive the price level inexorably upward. The popularity of this argument explains the revival of the inflation scare every time a new series of wage contracts comes up for consideration. The historical record, however, fails to support the view that there is a direct relation between wage rates and the price level. Let me refer once more to the point previously made, that the index of wholesale prices in the United States stood at the same level in 1942 or 1925 as in 1800. Are we to infer that hourly wages were the same in these two periods? Certainly not! The history of the United States has been one of continuing wage increases. This was part of what we all recognize as a continuous upward trend of the standard of living in this country. In the face of such a secular rise of wages the index of wholesale prices was nevertheless constant over long periods of

WHOLESALE PRICES

BUREAU OF LABOR STATISTICS INDEX, 1947-49=100



*An address by Professor Whittlesey before the International Insurance Conference, University of Pennsylvania, May 21, 1957.

time. At times, indeed, the price level actually fell in spite of a rise in wages, as it did for example between 1880 and 1890 when prices declined approximately 15% at a time when wages were rising by nearly that amount. That is to say, the **upward** movement of wages was almost equal to the **downward** movement of prices during this decade. In short, the consistent historical record of prices and wages in the United States completely refutes the view that higher wages make higher prices or inflation inevitable.

Average hourly earnings climbed rather steadily throughout the period from 1935 to 1956. Wholesale prices, on the other hand, rose during some of these years and in other years, as after early 1951, remained relatively stable. Much the same story is told by the index of consumer prices.

Persuasive Evidence

The most persuasive evidence, however, is afforded by a comparison of prices and wage rates in the United States from 1951 to 1956. Never was the strength of labor unions stronger than in this period. Seldom if ever in our peacetime history did hourly earnings rise as rapidly as in these six years. During most of the period, however, both wholesale prices and consumer prices remained remarkably stable in the face of this sharp and steady upward movement of wage rates. All this . . . strongly argues that even in these days of powerful unions it is possible to combine rising wages and price stability.

Again the principal explanation of this most recent demonstration that wages can rise without a corresponding rise in prices is to be found in technological progress. The critical factor in price movements is not wages alone but wages in relation to productivity. This means productivity as influenced by every technological advance, including the automation about which we have heard so much in recent years. Detailed figures are not available on productivity in American industry but as an example we may consider the rise in output per manhour that took place in the mining industry in former years. This industry is in no way exceptional; many industries, indeed, could make a far better showing than the mining industry. What the records show is that in 1920 the output per man-hour in the mining industry was over two and a half times that of 1880. Between 1880 and 1945 it was up over five times. In the last few years the process seems to have been accelerated even more. This fact of rising productivity is compatible with very substantial increases in wages without any necessary rise in commodity prices. Given reasonably secure conditions of peace, we must surely assume that there will be a continued rise in per capita output through the discovery of ever more ingenious methods of production.

Central Bank Timing

To a very great extent the problem of inflation and its prevention is one of timing. Increased wages generate a "cost-push," as we all agree. Employers seek ways of offsetting the upward pressure on costs with a resulting tendency to turn to increased capital expenditures to provide more economical methods of production. The immediate effect of such outlays to improve per capita productivity is to add a further stimulus to the rise of prices because of the increased demand for plant and equipment. Such capital expenditures add to demand without, for the time being, adding to the available supply of finished goods in the market. The combination of upward pressure on costs and of increased demand creates a strong inflationary potential **for the time being.**

The longer term result of the process, however, is to generate additional capacity, introduce economies of production, increase the supply of finished goods and stimulate competition in the sale of finished products. All these generate, in the course of time, powerful downward pressure on prices. They may even introduce a deflationary potential which we are likely to speak of in terms of over-Production and over-capacity.

In this combination of inflationary and later deflationary potentials, the critical factor is the time element. It is the responsibility of the central bank and other stabilization authorities to facilitate such a timing of events that the inflationary forces will be held back until they meet the resistance of subsequent deflationary forces. The methods at the disposal of the monetary authorities for improving the timing of economic processes in the interests of greater stability include such policies as the current "tight money" policy exercised through general credit controls. They also include the so-called selective instruments of credit control. These and other stabilization techniques are essentially devices for regulating the rate at which the combination of inflationary and deflationary pressures exerts itself upon the general level of commodity prices. The authorities can, in fact, make a powerful contribution toward a successful solution of this problem of timing. The problem of escaping either undue inflation or serious depression is essentially one of timing. It is by no means beyond our ability to solve.

Armaments and Inflation

It is frequently suggested that the burden of armament expenditures creates a serious threat of inflation. Such a conclusion is valid, however, only to the extent that we fail to meet the burden of armament expenditures by appropriate fiscal policies. In the United States and doubtless in many other countries as well, military expenditures are today so large a part of the Federal budget that a significant reduction in total expenditures is possible only by cutting down on this item. Present levels of armament expenditures or even levels considerably higher do not, by any manner of means, consign us to the evils of inflation. But they do commit us to the prospect of continued heavy taxation as the only realistic means of escaping those evils.

With adequate taxation to maintain the Federal budget in reasonable balance, we can escape the inflationary danger created by the present high level of military spending. But we cannot both escape this danger and enjoy great tax relief. The only acceptable choice before political and business leaders who desire lower taxes is to discover some way of easing international tension and thereby abating the burden of armament expenditures.

How Creeping Inflation Would Affect Insurance

The burden of my remarks thus far is that inflation, creeping or

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Prospect of Chronic Inflation And Its Impact Upon Insurance

otherwise, is in no sense inevitable and should not even be looked upon as probable. Under the terms of my assignment, however, I am obliged to discuss the effects of creeping inflation on insurance if, in spite of what I have said, it should in fact occur. In doing so it is necessary to differentiate between the two main branches of the insurance industry. I turn first to life insurance.

Life Insurance

The life insurance industry has relatively little to fear from inflation so far as concerns their financial solvency. This is because of the fact that, by and large, liabilities and assets are both expressed in terms of the current monetary unit. If the monetary unit depreciates in purchasing power, the loss in the real value of assets is paralleled by corresponding decline in the real value of liabilities. A company could conceivably become virtually worthless through the deterioration in value of assets which were fixed in monetary terms. This came very near to happening during the period of German inflation after World War I. But such a company would not be bankrupted since claims, being expressed in the same monetary unit, would depreciate **pari passu** with assets.

The possible danger of losses on assets through default, though never large in well-run companies, would actually be less in a period of inflation than in other periods. This is partly because such periods are likely to be times of active business and partly because inflation would involve a lightening of the actual burden on those to whom the companies have lent money. For both reasons, the risk of default would be diminished.

The principal way in which the financial position of life insurance companies would be injured by inflation is through the resulting increase in costs of operation. Even here, however, it is reasonable to believe that life insurance management would be able to adjust costs to the modest but continuing rise in prices of say 1 to 2% a year which I associate in my mind with the expression "creeping inflation." Without seeming to condone "creeping inflation," therefore, I conclude that it constitutes no significant threat to the solvency of life insurance companies.

A different sort of effect of creeping inflation on life insurance would be the stimulation of interest in variable annuities such as the Teachers' Insurance and Annuity Association has already pioneered in this country with such notable success. This or some other technique for adjusting benefit payments upward in case of rising prices would be encouraged, as it has been encouraged in the period since World War II. It would undoubtedly call for greatly increased investment in common stocks and other equity securities, with corresponding burdens upon investment officers and administrative problems connected with the selection and training of personnel qualified to engage in this type of investing. In this process smaller companies would find themselves at some disadvantage, compared with the larger and more diversified companies. In addition, of course, many problems would be raised by the shift in emphasis on the part of life insurance companies away from their tradition of guaranteeing an absolutely assured fixed benefit. Since these problems relate only indirectly to the question of inflation, they cannot be explored at this point.

The most serious aspect of inflation, creeping or otherwise, lies in the frustration of well laid plans which it inevitably entails. It is the proud achievement of the life insurance industry to guarantee security. There is no foreseeable possibility that the life insurance industry will fail to meet the contractual obligations which it assumes. But this contractual obligation assumes, on the part of both buyer and seller of insurance, the delivery of values approximately equal to those existing at the time of entering into the contract. The one possibility that these expectations will not be realized lies in the threat of inflation.

Would End the Insurance Industry

The only significant obstacle to the achievement of the basic goals of the life insurance industry, then, is inflation. There is serious doubt in my mind whether the responsible life insurance executive could justifiably continue in business as at present in the face of a sincere belief that inflation, creeping or otherwise, was inevitable. It seems to me that it would be morally incumbent upon him to advise prospective buyers of insurance that beneficiaries could not expect to receive back values comparable with those indicated at the time of the purchase of insurance. It is true that part of the value of the monetary unit would be eroded away during the life of the contract so that premiums themselves would decline as compared with what was originally planned in terms of actual value. Nevertheless, beneficiaries would be receiving less than was originally contemplated and less also, by and large, than the values which they had surrendered.

A partial relief for this situation would be to reduce greatly the proportion of insurance sold which embodies a substantial savings element. Much greater emphasis would come to be placed upon term insurance. Resort to renewable term insurance would only imperfectly solve the problem. The rise in premiums at more advanced ages would increase the cost to the insured so greatly as to force abandonment of insurance, thus depriving individuals of protection in later years. Ordinary insurance would seem to be the only way of acquiring permanent insurance, but then the problem of frustration of expectations through inflation would again become acute.

Whatever was done by these means or otherwise to mitigate the seriousness of the damage, nothing could possibly eliminate it. Not the least of the casualties resulting from such a situation would be the loss of the commanding respect built up over generations which the public now rightly pays to the life insurance industry.

No type of business, so far as I can see, has a greater stake in the avoidance of inflation than the insurance industry. The possible danger of inflation must constantly be kept before us to the end that we may more effectively combat and control that danger. At the same time, no one in this industry can afford for one moment to accept the thesis that inflation is inevitable, even a degree of inflation so moderate as to be called "creeping".

The remarks of President Eckar of the Metropolitan Life Insurance Company in his latest annual report bear careful pondering in this connection:

"Everyone agrees that inflation in the long run is bad for all segments of the population. The danger lies in the possibility that too many people may accept it as inevitable. If this should happen, an inflation psychology, mild in the beginning, might well take hold, gain momentum and, in the end, lead, as it always must, to collapse."

Fire and Casualty Insurance

The assets and liabilities of fire and casualty insurance companies, unlike those of life companies, are not tied to the monetary unit in a fixed relationship. This fact makes possible a distortion in the balance between assets and liabilities such as cannot occur in the case of life companies. A disturbance of the relation of assets to liabilities would tend to result from the fact that creeping inflation would lead to a steady rise in the cost of indemnifying the insured. Fire losses, automobile repairs and the like would reflect the rising costs of replacement, materials and services. The protection afforded by deductible provisions would be reduced as higher and higher costs pushed more and more claims above the deductible minimum. (It would become necessary to raise the range of amounts which were allowed for as deductible.)

Internal costs of operation would tend to rise for similar reasons. It is by no means certain that the rise in costs could be offset by economies of operation including automation, electronic computers and other mechanical aids.

Companies would be plagued as they always have been in periods of rising prices by delays in getting rates adjusted upward to higher levels. While the authorized adjustment in rates might occasionally more than compensate for the rise in costs, such a situation, in the face of continuing inflation, would presumably be very temporary. It is reasonable to suppose, however, that with costs rising steadily ways would be found of adjusting charges with less delay than has been customary when creeping inflation was not the accepted order of things.

Questions Stocks as a Hedge

In some respects, on the other hand, the position of fire and casualty companies would be more favorable than that of life companies. Instead of a huge volume of assets tied up for long periods of time in terms of a fixed monetary unit, there is a constant flow of funds in and out which permits a fairly rapid turnover of assets. Because of their long established practice of investing a substantial proportion of assets in equity securities a tendency for assets to appreciate is to be expected. The German experience under extreme inflation was that ownership shares (common stocks) did not keep pace with the rise of other prices. There would undoubtedly be a greater tendency for them to do so, however, under creeping inflation.

Another possible offset might be a tendency for some reduction in claims to occur because the rise in value of assets would discourage such practices as the setting of fires to collect insurance. The stimulus to full employment and to a high, even hectic, level of business activity afforded by rising prices would presumably tend to operate in the same direction. One might expect that fewer claims would arise under liability coverage. Such considerations as these, of course, are highly conjectural and could easily be counterbalanced by other factors such as the rising cost of living and the sinister moral deterioration which we have learned to associate with conditions of inflation.

Fire and casualty companies are more favorably situated than life companies in that their contracts relate to a much shorter period of time. This fact facilitates the periodic revision of rates and makes it possible to eliminate unprofitable types of business more quickly. It also lies back of the fairly rapid turnover of assets. On the other hand, they are less favorably situated in that their exposure at any particular time is much greater. They do not have cushions of comparable magnitude to the mortality cushion in life insurance. Premiums for fire and casualty insurance are on a more realistic basis relative to exposure than is the case in life insurance.

. . . The insurance business, particularly the life insurance business, is a long-run undertaking. This is one of the reasons why fairly long-term perspectives on the problem of inflation . . . are especially important. . . .

In the period of the twenties, a great many people found convincing reasons for believing that they were in a New Economic Era free of business depressions. In the thirties an even larger number became persuaded that we had reached economic maturity and stagnation was our lot.

The current fatalistic belief in chronic inflation is of a piece with these earlier fallacies. The reasons for believing that inflation is inevitable are no more persuasive than the reasons behind those other views seemed at the time. I suggest that they are equally likely to be refuted by the logic of future events.

Continued from first page

As We See It

Democrats were at least as good at as the Eisenhower regime has been, and a firm central bank policy which the Democratic leaders as a rule avoided sedulously, it ought to be possible to find something to which the politicians can attribute most of the ills, real and imaginary, in recent years.

What Is the Situation?

It is earnestly to be hoped that the rank and file have a better understanding of the present money market situation than some of their *soi disant* spokesmen in Washington seem to have. The money market is not particularly tight and interest rates are not exceptionally high, except when measured against standards set up during an era when the leaders of the people believed that virtually all the economic ills that beset mankind could be avoided or cured by the simple expedient of enabling people—all sorts of people—to borrow freely at hardly more than nominal interest rates.

Still, it is certainly not as easy to borrow as it was a few years ago and it is certainly more expensive to borrow now. These higher rates, particularly when they have to be paid by mortgage borrowers on new homes, and this difficulty of various people in borrowing money, particularly when they happen to be "small businessmen," have aroused numerous politicians and some of their constituents. It is, of course, easy to put the onus of the whole situation on the Federal Government, and include therewith the Federal Reserve authorities, and that is precisely what the opposition hopes to do in an effective way at the hearings now being conducted by Senator Byrd's committee—although we doubt very much whether the Senator himself thinks of the situation in quite such simple terms. The danger is that in a committee room where so few understand these matters, and so many understand ordinary political strategy so well, the root causes of the present situation will never come effectively to light, and ground will be laid for various unsound and harmful attempts to alter a situation which is not pleasing to the politicians.

Credit is relatively scarce today and interest rates are relatively high today for a very simple reason. Too many people want to spend more than their income. One may say that there is not enough saving, or that there is exceptionally large demand for investment funds—depending upon definitions of "saving" and "investment." Practically speaking, it comes out at the same place either way. A man may be "investing" or he may be "consuming" when he buys furniture for his new house which may well outlast the house itself and furnish much the same sort of satisfaction as the house. That is a matter for those who are fond of semantics. The fact is that too many people have been trying to buy both the house and the furniture—and the automobile and all the rest—that is, too many in relation to what income they have.

Too Much Borrowing

The result is that too many go into the market directly or indirectly to borrow for such purchases, and too few go into the market to place funds in investments of this or other sorts. The net result is inevitably that the price of money (interest rates) moves up just as the price of corn or wheat would move up when more buyers than sellers enter the market. It is as simple as that. Of course, among the offenders is the Federal Government. It is not borrowing as much on balance as it was at one time, but it is spending a great deal too much (buying goods and serv-

ices), and in order to avoid borrowing is taking far too much from the taxpayers who themselves are likewise trying to buy more and more. Then there are the states and local units, including "revenue borrowers." This is the essence of the current "inflation" and threat of inflation.

What the Federal Reserve authorities have been doing is by and large to decline to make good with arbitrarily created funds the deficiency of saving or to provide funds freely so that the public could try to buy more than was being earned by production—and, of course, to take care not to encourage the commercial banks from doing something of the sort. Its current course is precisely the opposite of that followed for so many years through the New Deal and Fair Deal era. Neither the Federal Reserve system nor the commercial banks do or can enlarge the supply of goods wanted by the public. For either of them simply to create the funds with which the public can try to buy what does not exist would be on a par with the greenback program of the Civil War.

It is largely this fund creating program of these New Deal days—and, of course, of the war years, which complicates the present situation and renders it possible for inflation to continue as it is now doing despite central bank policy. There has been but little increase in the volume of outstanding credit during the past year or two, but Dick, Tom and Harry have large, or relatively large, funds on deposit in the banks as a result of prior credit policies. If they choose, as they have of late chosen, to make more active use of these cash resources, the effect upon the markets is about the same as an increase in the supply of money. What is known as the turnover of demand deposits has risen by something like 10% during the past year and a half. This is the equivalent of a rise of over $10 billion in demand deposits or over $13 billion in money supply if currency is included.

The remedy for current difficulties is obvious. We—all of us — must begin living within our means.

Analyzes Small Business Financing Problems

Thomas W. McMahon, Jr., Vice-President of the Chase Manhattan Bank, correlates sound financial management with a small firm's ability to obtain funds, in denying selective credit controls is the answer to the small businessman's financing problems. Offers advice on how small firms can obtain needed capital, including recourse to sale of equities, and singles out managerial inexperience, lack of planning, and faulty financial condition as principal reasons for failures of small enterprises.

Better financial management rather than selective credit controls is the answer to the small businessman's financing problem, Thomas W. McMahon, Jr., Vice-President, Chase Manhattan Bank, New York, told the American Management Association's general management conference at their annual top management forum, held in New York City June 3-5.

Mr. McMahon challenged the idea that money is tight because of arbitrary attitudes on the part of the banks or the Federal Reserve Board. Money is tight, he pointed out, because "too many people have been trying to finance too many projects at the same time." Selective instead of quantitative credit controls might channel more funds into small business, but Mr. McMahon declared, "I would rather put my faith in the objective materialism of the market place than in the subjective idealism of a supreme economic authority, however benign."

Small businesses that are good credit risks can get sufficient funds for constructive purposes, according to Mr. McMahon. "Generally, if a company in quest of credit can't measure up to the tests of the market, it is because it is not deserving of credit in the first place. Money is always available to the businessman, small or large, who follows sound financial management practices."

Managerial inexperience and lack of forward planning are the principal reasons for business failure, the speaker declared. Small business, he advised, would do well to imitate the sound financial management practices of big business. How can this be done with limited manpower? "There is no easy answer, but much can be gained by using to the fullest extent the three available business service arms, the banker, the lawyer, and the accountant."

The small businessman should review his financial condition with his accountant every month, Mr. McMahon advised. Review what has been accomplished against what was planned and spot the variances: "there is no better way to plan for the future than to understand the past and the present." Then "visit your banker and discuss your plans and program for the future. This preventive medicine can help avoid many of the pitfalls that beset small business."

One of the biggest pitfalls, according to Mr. McMahon, is losing sight of the importance of cash. "Keep in mind that it is cash, not inventory or receivables, that pays the bills. If additional sales volume can be gained only by carrying slow receivables, the prize is usually not worth the game. Avoid an excessive investment in inventories. The moment a company's inventories exceed the amount of net working capital, cash and receivables are insufficient to cover current liabilities."

The small businessman also should avoid excessive investment in fixed assets, the speaker recommended. High fixed costs tend to increase the breakeven point; they may become burdensome in periods of declining sales volume.

And, he urged, maximize flexibility. "The ability to change direction, pursue new product lines, diversify, retrench, in fact, to follow whatever policy the occasion dictates is the keystone to success."

Mr. McMahon also suggested that small businessmen give more attention to equity financing. "Today's high level of taxes precludes any great degree of expansion from internally generated funds. Further, more loan applications are rejected because of insufficient ownership capital with which to support borrowings than for any other reason."

Recommends Equity Capital

Most small businessmen, Mr. McMahon said, are reluctant to seek equity capital because they fear loss of control. This fear is groundless, according to the speaker. If equity is carefully dispersed, control can be retained with a fraction of total ownership. Preferred or nonvoting common stock can be issued. "These are just techniques, however. The real answer to the control question lies in the ability of management. Stockholder support is assured if management is capable and aggressive, if sound policies are pursued, and if the stockholders are kept informed as to the whys and wherefores behind management decisions."

The problem of estate taxes is another argument for equity financing, Mr. McMahon said. "One of the most difficult of all concepts to get across to the typical small businessman is that he would be far better off in the long run, from both a business and a personal standpoint, owning a significant minority interest in a thriving and profitable business as against owning all or nearly all of a relatively static business or one that is growing by its boot straps alone."

Any securities sold should fit in with the long-range plan of the company, Mr. McMahon advised. Maximize flexibility by being carefull to sell only securities that can be redeemed by the company, with the exception, of course, of common stock. Raise equity money, not as a desperate measure, but when things are going well; "making it an 11th hour decision is one of the surest manifestations of lack of managerial foresight and over-all perspective."

The same principles apply to bank borrowing, the most common and most flexible source of capital for small business. To avoid seeking a loan under emergency conditions, the speaker warned, establish a relationship with a banker long before the need for money arises.

Philadelphia Securities Association Special Summer Meeting

PHILADELPHIA, Pa.—Officials of the Burndy Corporation will play host to members of the Philadelphia Securities Association at a special summer meeting to be held on Monday, July 1, in the Mirror Room of the Warwick Hotel at 4 p.m.

Burndy Corporation, with headquarters at Norwalk, Conn., is a leading manufacturer of electrical equipment for the public utility and industrial field.

William A. Webb of DeHaven & Townsend, Crouter & Bodine is in charge of arrangements for the meeting.

With Samuel & Engler

(Special to The Financial Chronicle)

COLUMBUS, Ohio — Harry F. Hamel is with The Samuel & Engler Company, 16 East Broad Street.

With Coburn Middlebrook

(Special to The Financial Chronicle)

BOSTON, Mass.—Paul F. Schelfhaudt has joined the staff of Coburn & Middlebrook, Incorporated, 75 Federal Street.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week — Bank Stocks

One of the big puzzlements of the securities markets is the indifferent price action of the bank stocks in the face of the earnings prospects of these institutions. Some explain the paradox by saying that when high grade bond yields get more or less on a par with yields of bank stocks, there is some shifting of funds from the latter to bonds. But does this get the bondholder anywhere?

Heinz Biel has pointed out that when a bond buyer goes into the market for, say, a 5% return, assuming he is in the 40% tax bracket (and in these days that is not a high bracket, by any means), he winds up close to even as he must pay 2 of the 5% to the tax collector; and as the economy is experiencing an inflationary trend at a rate of about 3% a year, the bond investor does not fare so well.

At least in the case of bank stocks he would be able to look ahead with reasonable certainty to some dividend increases. Where the income from the bond is fixed, that from the bank share is not. Direct cash increases and indirect increases have been numerous among the leading banks in recent years. The indirect increases are the result of stock dividends and maintenance of the old stock cash rate on the new shares, in effect a cash increase for the investor who holds on to the stock dividend.

And has not Harry V. Keefe, Jr., done an excellent job of proving that the banks are holding up their end satisfactorily as far as "growth" is concerned? He has brought out that using the average per share earnings of the Tucker, Anthony Index (years 1947-49 equal to 100), earnings for 1956 on the banks in the Index were up 59%. The 30 stocks in the Dow-Jones industrial average in the same year had a rise of 58%; 17 selected utilities 53%.

Mr. Keefe goes on to point out that present bank dividend rates averaged in 1956, 42% higher than in 1951; the Dow industrial average stocks 36% higher in the same period. All of the 22 stocks in the Tucker, Anthony Index increased their dividends since 1951; four stocks of the Dow group are now paying less than in 1951, and five have not upped their dividend rates.

As bank earnings are running at least 12% ahead of 1956, on average, and dividend pay-outs are low in relation to operating earnings, expectation of further increases is logical. Within the past several weeks both First National City and Bankers Trust boosted their cash rates, and J. P. Morgan & Co. declared a 16⅔% stock dividend, in effect an increase of that amount in cash, as the rate will remain at the old $10 figure.

The higher earnings will, of course, come from a combination of increased loan volume and higher rates at the banks. As to volume of loans, the New York "Times" of June 21 published the weekly borrowing figures for the week ending on Wednesday, the 19th. Loans to business were up $527 million among the major New York City banks, the largest increase on record. This increase brought the total of loans outstanding to $12,081,000,000 at these banks, compared with $10,209,000,000 a year earlier, an increase of over 18%. As the average rate of return on loans is running higher this year, we have the two main contributing factors present. On the same page of the "Times" was an item stating that the Federal Reserve Bank, New York, had reported that the volume of commercial and sales finance paper outstanding, countrywide, was $2,728,000,000, an increase of $110,000,000 above May, 1956.

Indeed, the newspapers and financial papers have been running reports of items affecting interest rates and their influence on the inflationary trend, or vice versa. The "American Banker" of June 3 reports that "spending by check this year can reach $2.3 to $2.4 trillion versus last year's $2.2 trillion." The "Times," on June 19 told of an issue of 91-day Treasury bills going at an average yield of 3.404%. Also in that issue of the "Times" it was noted that some commercial paper dealers had advanced their rates by ⅛ percentage point, the second such increase in two weeks.

The "Times" of the 20th had these head and sub-head lines: "Rates Too Low, Bankers Assert." "Money is reported tighter than ever in this State as demand for Credit rises. Group [New York State Bankers Convention] says loan charges of Federal Reserve and members should go up."

The "Herald Tribune," June 16, headlined an article, "Short Term Funds' Rates Still Rising." It observes that it was just two years ago this month when the Treasury bill rate, now 3.404%, was 1.39%; it has climbed two full percentage points in the period.

Yes, bank earnings are on the increase, and as their rate of increase has been greater than the rate of improvement in book value, we will find their earnings on book value at higher figures than they were at the June quarter-date last year.

With Merrill Lynch

(Special to The Financial Chronicle)

CLEVELAND, Ohio — William F. Crabbs is now affiliated with Merrill Lynch, Pierce, Fenner & Beane, 216 Superior Avenue, Northeast.

Prescott Adds to Staff

(Special to The Financial Chronicle)

CLEVELAND, Ohio—Lawrence H. McGrath has been added to the staff of Prescott & Co., National City Bank Building, members of the New York and Midwest Stock Exchanges.

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Sowing the Seeds of Inflation

substantially larger than expenditures. It is important to maintain this favorable balance as long as the inflationary trend continues." (pp. 3, 6) In spite of these warnings, businessmen and consumers, complaining bitterly of the burden of "War taxes," moved Congress to pass legislation in the spring of 1948 that reduced revenues by an estimated $5.3 billion. On this action, the President, in his next Economic Report, commented:

"The deflationary influence of recent government cash surpluses will thus be replaced by the inflationary influence of additional expenditures on the part of consumers whose tax burdens are reduced. . . . Even in the midst of present prosperity, the average American sees that the value of his accumulated savings has declined, and that many of his neighbors, living on pensions or fixed salaries, are actually worse off than they were a year ago. . . . The failure to control inflation effectively in the past makes it increasingly urgent that we adopt vigorous measures to guide us safely from the uneven postwar boom to an era of sustained and stable prosperity." (pp. 4, 5)

Mr. Truman logically recommended at this time restoration of certain repealed taxes and proposed several kinds of selective controls but, with equal logic, let this tax recommendation lapse when business turned downward in the spring of 1949.

Tax Savings Self-Defeating

The essential point of these early episodes in sowing the seeds of inflation is that consumers and business spenders were defeating their own best interests. Consumers already had full employment, war savings, and credit expansion to give them purchasing power in the market. The tax savings they got simply enabled them to offer more dollars for a supply of goods that could not be increased at an equal rate.

Similarly the tax savings of business spenders enabled them to bid more vigorously for equipment, materials, and labor. In the perceptive phrase of the late Senator Taft, we "were trying to do too much too fast." The public refused to let fiscal restraint curb inflation. Likewise, they refused to let monetary restraint be used consistently and effectively. They demanded removal of the restraints on instalment and mortgage credit in Regulation W and Regulation X and kept the interest rate "pegged" to 2½% until 1951. Naturally, the seeds of inflation sprouted fast.

The present Administration has done a good deal toward curbing the inflation whose seeds were sown in the war and early postwar period. It has tenaciously resisted tax reduction that would have been inflationary and has pursued a tight money policy that is counter-inflationary. At the same time, President Eisenhower has repeatedly admitted the limitation of fiscal and monetary policy in dealing with the total problem of inflation, and has urged the country not to expect Government to do the whole job. In various Economic Reports and vigorously in his latest State of the Union Message he has pointed to the responsibility of business management and union labor to abstain from sowing the seeds of inflation and expecting Government to offset the pressures thus created.

We Are Not United Against Inflation

I shall pursue that theme in a moment, but first we need to face the fact that one reason that our people go on sowing the seeds of inflation is that they are under the impression that they are sowing goodly plants rather than dangerous weeds. With the same set of historical facts before the eyes of everyone, there has been and still is sharp division of opinion, both expert and popular, as to where we really stand today, and what are the foreseeable consequences for the future. On the one hand, those who derive from the events of the last three decades or so an acceptance and approval of such inflation as a way of life for enterprise capitalism. It's been dandy for 12 years; let's keep it up. They argue that such a way of economic life is effective, pleasant, and safe. This view has the dignified sponsorship of Professors Slichter, Hansen and Harris at Harvard University and not a few professional economists elsewhere. It is both preached and practiced by most of the labor unions and practiced by a great part of business management while prominent executives and most reputable business associations preach against it. One farm organization openly supports it, while the other three majors disavow it even though many of their members angle for more political means of getting in on its gains.

Over against the complacent inflationists we find those who, contemplating not only the pleasant history of the United States in recent years but also the record of other economies and other times, see even this kind of inflation as an insidious danger, something to be feared and combatted, not condoned and certainly not invited. It is superfluous to mention here the Secretary and Under Secretary of the Treasury, the Chairman and Board of Governors of the Federal Reserve System, Senators and Representatives, business leaders, and professional economists, both in Academia and in bank and corporation posts.

I think I can state the position of this latter group fairly and correctly as to its essentials even though there would, of course, be plenty of differences or shadings of emphasis on details. Being realistic, they would recognize that the developments of World War II made it not only undersirable that we should go back to the price levels of 1939 but also quite impossible in view of all the adjustments already made to a much higher price and income level. A considerable period of internal market adjustment was what was needed to digest technological and financial changes which had taken place and to work out wage-price-profit relationships that would give workable conditions for full employment, adequate investment, prompt market absorption, and standards of living rising in proportion to greatly improved and still improving productivity. In this process, some wages which had not been the beneficiaries of war pressure would need to be raised in order to bring about a sound wage structure and widely distributed purchasing power. Some prices would need to rise but others would fall in response to lowered cost and/or relatively weaker demand. But the price level should not be pushed up by constant injections of new money. The theoretical ideal would be a moderate downward trend of prices by which the benefits of rising productivity would be disseminated to all consumers. The practical working compromise is a virtually stable price level, with flexibility of individual prices to reflect particular situations.

Those who condone or advocate inflation as a way of life find even a stabilized price level too austere a doctrine for men as we find them. They argue that wage negotiators must bring home the bacon for their boys after every trip to the bargaining table, that price makers must charge all that the traffic will bear, that banks must stretch credit so that all products can be bought at these prices, and that if this process produces a profit squeeze, or a lack of consumer buying power, or an inadequate savings base for the credit structure, the Federal Government shall step in with a spending program that will prevent any slowing down for the making of adjustments to more sustainable relations. They look also to the Federal Reserve to furnish ammunition to this Battle of the Price Bulge through a consistent "soft money" policy reminiscent of the Greenbackism of the 1870's and the "free silver" drive of the 1890's.

"Creeping Inflation"

The proponents of this doctrine argue that these perpetual shots in the arm are just what the doctor orders for an enterprise economy, and they dismiss quite cavalierly the possibility that the inflation drug habit will ever master and destroy us. Thus the whole controversy has come to center on the new catch-phrase "creeping inflation" or "mild inflation." It raises a two-pronged issue: (a) Will inflation continue to creep or get up on its hind legs and run away with us, and (b) Is the economic impact of even a moderate but steady inflation in fact mild?

As to the first of these questions, I am not content to say that history has shown that inflation always does get out of hand, nor, on the other hand, content to say that we now have control devices that make it sure that such an inherent danger can be met and overcome. These controls have not been proved in practice and we do not have convincing evidence that we will have the alertness and fortitude to use them to the limit of their rated powers. Of their inherent limitations, I shall have something to say later. Here I cannot do better than to quote from Dr. C. Canby Balderston, Vice-Chairman of the Federal Reserve Board:

"Once the community accepts the prospect of continued inflation and begins to make its business decisions in the light of that prospect, the infant ceases to creep. It learns to walk, run, and finally gallop even though the gallop may carry it over the brink of the precipice that everyone agrees must be avoided."

As to the second question, apologists for, or proponents of, "mild" inflation seem agreed that a 2% rise in the general price level annually is acceptable. It is obvious, however, that a 2% increase compounded year after year soon builds up a surprisingly large total impact. As Dr. Winfield Riefler, Assistant to the Chairman of the Federal Reserve Board has put it: "Continued inflation, even if it could be controlled to a rate of 2% per annum, would by no means be mild. It would be equal to an erosion of the purchasing power of the dollar by about one-half in each generation." Furthermore, this erosion of purchasing power has a very uneven impact on different parts of the economy. Those whose goods or services fall in a scarcity area or whose organization gives them special bargaining power may entirely escape any burden and indeed reap positive gains, while the economically weak bear a crushing load. Inflation not only "grinds the faces" of fixed income and "sticky" income classes, but also impairs the financial expectations of institutional endowments and pension funds, and discourages systematic capital formation.

The pitfalls of the creeping inflation doctrine are proclaimed by the President when he points out that rising payrolls and procurement costs make it impossible to keep government spendings down to government revenues. It is proclaimed by top-business executives when they tell stockholders and the public that the upward creep of costs disrupts their orderly growth and its financing. It is proclaimed by labor leaders, even at the most strategic spots in industry following the most aggressive enhancement of wages for their group, when they lament that nominal gains "are paid in wooden nickels."

Inflation From the Market

To get down to the real crux of the inflation issue, to the field where the seeds of economically disruptive inflation are most widely sown, and to assess soundly the requirements for curbing it, we must scrutinize the mechanisms and the policies of wage setting and price administration in the market. We should stop passing the buck to the President, Secretary of the Treasury, the Congress and the Federal Reserve System for most, if not all, of the responsibility for sowing the seeds of inflation through fiscal and monetary policy. It is much nearer to the truth to say that the real source of inflation in postwar United States has lain in the market place—in the institutions and practices of labor union bargaining and corporation price administration. Fiscal policy has sometimes aggravated or failed to curb wage-price inflation; and monetary policy, though it has been more consistently and astutely utilized to "contain" the aggressive force of market inflation, is, by its nature and the present philosophy of the Federal Reserve authorities, incapable of really offsetting institutionalized wage-price inflation.

Now I am quite aware that approaching the problem of inflation from this angle carries us into areas in which both labor and management are very sensitive. Hence I want to make four fundamental propositions very clear and explicit at the start:

(1) I am myself pro-labor, and I believe that every one of my professional brethren who seeks maximum wealth for the nation must likewise be pro-labor since maximum material well-being for all who work with hand or brain is, by definition, the major end that economics seeks to promote.

(2) I am pro-business — little business in areas where it can show efficiency to compete in a fair field of no special favors, and for big business in that large part of industry and trade where it can produce the best goods at the lowest costs.

(3) I take it as axiomatic that attractive profits are an essential ingredient of a workable price system. (4) I subscribe fully to the declaration of policy in the Employment Act of 1946, which accepts for the Federal Government a positive role of responsibility "to coordinate and utilize all its plans, functions, and resources [within a structure of] free competitive enterprise . . . to promote maximum employment, production, and purchasing power." (I should add, however, that the other clause in that declaration of policy — "consistent with its needs and obligations and other essential considerations of national policy" — in my judgment, reaffirms the Federal Government's primary obligation to see that its actions contribute to the soundness of the dollar or, in other words, do not conduce to disruptive inflation.

We live in an age of Big Business, Big Labor, and Big Government, and we had better learn to make its three big wheels mesh together as a producing machine of maximum efficiency instead of becoming an "engine of inflation." That is what it has become in recent years or is in grave danger of becoming.

The Engine of Inflation

Let us trace the simple steps in that process. Since 1945 we have had 11 "rounds" of wage increases and a continuous upward march of prices not so clearly marked off into annual steps. Both management and labor found themselves in a sellers' market, with money demand tending to outrun physical supply. If management raised prices, labor argued that this gave the companies ability to pay higher wages. If labor boosted wages, management argued that it must recoup higher costs by raising prices.

Management installed two very tricky gadgets on the engine of inflation. One was the two-phase escalator clause in wage contracts, by which wage rates would rise automatically in accordance with a theoretical factor of productivity increase or with a rise in the cost-of-living index. The other was expressed in the principle that prices should be high enough to largely defray the cost of plant betterment and expansion without much recourse to the securities market.

Unionism, not to be outdone as a designer of inflation devices, got court recognition of the theory that labor is exempt from anti-trust law, and developed the technique of forcing maximum wage and fringe gains through the strongest union at the most strategic point in business, *i.e.*, strongest demand and highest profit margin and then using these gains as a lever throughout the labor market.

Nor has the pattern of cost-price leap-frogging been limited to the industrial and commercial area. The farmer was something of a pioneer in the field of escalation gadgets with his formula of "parity" prices—that is, if prices of things the farmer has to buy go up, the government must support farm prices at a proportionately higher level. This in turn raises the costs and thus the prices of the things the farmer has to buy and raises the "parity" base on which farm prices are to be supported.

Mention of the government as a party to the process of inflation reminds us that the farm market is by no means the only place at which the government is cat's paw in this game. It stockpiles metals to support their prices. It makes grants or loans on artificially easy terms to construction projects of various sorts to keep up volume when building trade wages and contractors margins tend to price themselves out of the market. Government as purchaser and employer in both civilian and military fields must pay competitive rates, which, in turn, are enhanced by the marginal strength of its own competition. Uncle Sam has raised pay from the letter carrier to the Cabinet officer, and paid higher and higher prices for everything from jet planes to the paper and printing it uses so extravagantly.

Now Mr. Eisenhower has pointed out very clearly how this easy-going cost-price system results in a budget of $71.8 billion to pay for established government operations, for apparently necessary security programs, and for some, but not all, of the welfare measures the people demand in view of the richness of our productive resources. The built-in inflationary mechanism I have described will not be converted to a stabilizing prosperity mechanism by simply cutting $2 billion or $6 billion out of the current budget, whether it be done with a meat-ax or a scalpel or by a series of bookkeeping tricks. Nor will it be done merely by a continuance of the firm but flexible monetary ad-

ministration of the Federal Reserve System.

President Truman stated these fundamental truths in his first Economic Report, and reiterated them in almost every subsequent Report. He said:

"Removal of emergency price and wage controls has restored the main responsibility for prices and wages to business, labor, farmers, and consumers. The Government can point out dangers seen from the perspective of the whole economy, but the correctives must be largely applied by others. Business should reduce prices wherever possible in order to bring about the necessary increase in consumer purchasing power to bolster their markets. . . . Labor, on its part, must recognize that high volume at low costs and low prices requires high productivity and the absence of restrictions on production. For its own advantage as well as that of the country at large, labor should refrain from demands for excessive wage increases that would require price increases or would prevent price reductions that are necessary to sell the capacity output of the product." (p. 20)

Last January President Eisenhower spoke in like vein in his *Economic Report:*

"The full burden of avoiding price inflation, which is an ever present hazard in an expanding economy operating close to capacity, cannot be successfully carried by fiscal and monetary restraints alone. To place this burden on them would invite the risk of producing effects on the structure and functioning of our economy which might, in the years ahead, impair the vitality of competitive enterprise. And failure to accept the responsibilities inherent in a free economy could lead to demands that they be assumed by Government, with the increasing intervention and loss of freedom that such an approach inevitably entails. . . . Specifically business and labor leadership have the responsibility to reach agreements on wages and other labor benefits that are fair to the rest of the community as well as to those persons immediately involved. Negotiated wage increases and benefits should be consistent with productivity prospects and with the maintenance of a stable dollar. And businesses must recognize the broad public interest in the prices set on their products and services." (p. 3)

Curb or Cripple?

In closing, I want to say just a word to those who assert that inflation can in fact be curbed simply and swiftly by the Federal Government by merely "turning off the money faucet or reversing the money pump." In a certain restricted sense this claim is true. If the government dropped half a million or even 200,000 civilians and military and cut $8 or $10 billion from procurement and subsidies, the purchasing power thus withdrawn from the market would doubtless preclude further price rises. This would be equally true if the Federal Reserve sharply curtailed the money supply through credit channels. As a purely mechanical proposition, prices and wages would have to fall or volume of business would have to shrink. I leave it to you to judge in which direction our economic system has the most "give." Personally, I suggest that, with the built-in inflationary features we now have, we could curb inflation at the cost of a depression.

This is not a philosophy of despair. It is simply to say we cannot leave the solution of this problem to Washington and expect the President and Congress and the Federal Reserve to "do it with mirrors." It requires that we ourselves tackle the problem at its source in the voluntary wage-cost-price-investment-credit relations of the enterprise market. There is an optimum balance among these factors which can be attained or at least approximated if all the parties who make administrative and bargaining decisions will face their tasks in a scientific spirit, with primary concern for the well-being of the economy, and with mutual tolerance. We cannot hope for perfection in all these decisions or to answer the various questions in such ways that they stay answered in our dynamic world. But we should show ourselves capable of making continuously workable adjustments and a flexible system for making revisions as flaws or new needs reveal themselves in practice. We must avoid the rigidities of pressure-won formulas and stubborn insistence on doctrinaire interpretations of what any one party thinks he "ought" to get.

I have great optimism for the long-run future of our free economy in "the golden mid-sixties" we hear so much about. But the nineteen-fifties come first, and we shall have to curb inflation right now without precipitating serious recession or succumbing to government control if we are going to validate the claims we make for the free way of economic life. The question is: Have we-all the intestinal fortitude to curb inflation and let the system work?

First Boston Group Underwrite First Nat'l City Bank Offering

At a special meeting of shareholders of The First National City Bank of New York held on June 24, the proposal to increase the capital funds of the bank by the sale of 2,000,000 additional shares of its capital stock was approved by a record vote. A total of 8-353,724 or 83.5% of the 10,000,000 shares outstanding were voted in favor of the proposal with only 82,080 opposed. By this action the number of shares of $20 par value will be increased to 12,000,-000. Howard C. Sheperd, Chairman of the Board, presided at the meeting.

The additional shares will be offered at $60 per share to all shareholders on a pro rata basis of one new share for each five shares held, of record June 24, 1957. Arrangements have been made with investment bankers headed by The First Boston Corp., to purchase all unsubscribed shares at the subscription price of $60 per share.

From the proceeds of the sale of the stock, $40,000,000 will be added to the capital of the bank and $80,000,000 to surplus. With these changes the capital of the bank will be increased from $200,000,000 to $240,000,000 and the surplus from $300,000,000 to $380,000,000. With undivided profits of approximately $73,000,-000, total capital funds will be approximately $693,000,000. This total does not include either the capital funds of City Bank Farmers Trust Company, of approximately $33,000,000, or the unallocated reserves of the bank of more than $100,000,000.

Quarterly dividends aggregating 75 cents per share were declared by the bank's board of directors on May 21, payable Aug. 1, 1957 to shareholders of record July 9, 1957. This increases the dividend rate per share from $2.80 to $3 per annum. It is the intention of the Board of Directors, subject to future earnings, to continue dividends at the $3 rate on the increased number of shares.

Warrants covering subscription rights will be issued and mailed June 28 to shareholders of record June 24, 1957. The rights will terminate if not exercised on or before July 22, 1957.

Fairbanks, Morse & Co. Debentures Offered

A. C. Allyn & Co. Inc. and associates on June 18 offered publicly $15,000,000 of 5¾% convertible subordinated debentures due June 1, 1972 of Fairbanks, Morse & Co. at 100% and accrued interest.

The debentures are redeemable on or after June 1, 1958 at the option of the company on not less than 30 days' notice, as a whole or from time to time in part, at the principal amount thereof plus a premium of 5% through May 31, 1959, and at decreasing premiums thereafter, together with accrued interest to the date of redemption. They are also redeemable pursuant to a fixed sinking fund commencing June 1, 1959, and an optional sinking fund commencing June 1, 1960, at the principal amount thereof, together with accrued interest to the date of redemption.

The conversion price is $50 per share of common stock if converted on or prior to June 1, 1962; $52 per share if converted thereafter and on or prior to June 1, 1967, and $54 per share if converted thereafter and on or prior to June 1, 1972.

The net proceeds to be received by the company from sale of debentures above offered will be supplemented to the extent necessary from general funds of the company to provide sufficient funds to purchase 300,000 shares of the company's common stock presently owned by Penn-Texas Corp., at the price of $50 per share. The purchase of such common stock is to be made pursuant to an offer of sale made by Penn-Texas Corp. to the company, May 10, 1957, which offer was accepted by the company May 14, 1957.

Fairbanks, Morse & Co. was incorporated in Illinois in 1891, and has its executive offices at 600 South Michigan Avenue, Chicago 5, Ill. The company and its subsidiaries are principally engaged in the manufacture and sale of scales, pumps, electric motors and generators, diesel engines, diesel locomotives, consumer products such as domestic water systems and power lawnmowers, and special defense and commercial items.

McGhee Co. Adds

(Special to The Financial Chronicle)

CLEVELAND, Ohio—Mrs. Ellen F. Hall has joined the staff of McGhee & Company, Inc., 2587 East 55th Street.

F. S. Moseley Adds

(Special to The Financial Chronicle)

BOSTON, Mass.—John J. McNamara, Jr. has been added to the staff of F. S. Moseley, 50 Congress Street.

With Gage Wiley

(Special to The Financial Chronicle)

SPRINGFIELD, Mass. — Philip B. Steele is affiliated with Gage-Wiley & Co., Inc., Third National Bank Building.

New Quinn Partner

ALBUQUERQUE, N. Mex.—On July 1st Stephen R. Kirby will be admitted to limited partnership in Quinn & Co., 200 Second Street, members of the New York Stock Exchange.

Bruns, Nordeman Branch

GREENFIELD PARK, N. Y.—Bruns, Nordeman & Co. has opened a branch office in the Pioneer Country Club under the management of Harold M. Schechter.

William Fuerst

William Fuerst, member of the New York Stock Exchange, passed away June 18.

Research Body Warns of Trouble Spots

Solomon Fabricant of National Bureau of Economic Research, endorsing inquiries into nation's financial health, warns of need to explore important areas of ignorance before they turn into trouble spots. Cites rises in interest rates, large additions to public and private debt, increases in supply and velocity of money, and differences in rates of expansion among financial institutions, as matters of concern.

Calls for a thorough inquiry into the nation's financial health, from the President and from others concerned with the state of the economy, are reinforced in a statement by Solomon Fabricant, Director of Research at the National Bureau of Economic Research and Professor of Economics at New York University.

Dr. S. Fabricant

In the Bureau's 1957 annual report, **Financial Research and the Problems of the Day**, just released, Dr. Fabricant warns of "important areas of ignorance and . . . the need to explore them before they turn into trouble spots."

He cites "sharp and widespread rises in interest levels, continued substantial additions to private debt and the debt of state and local governments, slight increases in the money supply coupled with larger increases in the frequency of its turnover, differences in rates of expansion among various financial institutions" as matters of concern.

Piecemeal investigations, he points out, will reveal little of the meaning of such developments. He urges comprehensive study of our financial organization in relation to the economy as a whole.

The National Bureau of Economic Research is a private organization long known for its pioneering work in building up factual materials on basic economic problems, and for impartial analysis of the facts, in the public interest.

Dr. Fabricant's report describes the striking financial changes in the United States economy over the last 40 years, highlights achievements and work still to be done in financial research, and gives important preliminary findings from some of the National Bureau's current studies.

New Estimates Show Increasing Complexity of Financial Structure

The nation's wealth — tangible assets of individuals, businesses, and government — totaled about $1,340 billion at the end of 1955, Dr. Fabricant says, reporting new estimates developed at the National Bureau. Only about half of it was held directly by individuals and unincorporated businesses. The rest was held indirectly, through a complex network of intermediary organizations such as corporations and financial institutions.

Including these intangible, financial items, the nation's total assets came to about $3,000 billion at the end of 1955, more than double the national wealth. These figures, too, are from the investigation of the postwar capital market being conducted by Raymond W. Goldsmith, of the National Bureau's research staff.

Between 1912 and 1955 the national wealth grew tenfold, and the growth in intangible, financial assets was even greater, Goldsmith's study will show. The ratio of intangible to tangible assets was 0.84 in 1912, and rose to 1.28 at the end of 1955, according to Dr. Fabricant's report.

Changes in Relative Position of Financial Intermediaries Are Revealed

From the same set of preliminary figures, Fabricant reveals the increased importance of financial institutions in the economy. By the end of 1955 they held nearly one-third of all financial assets (an increase from 27% in 1912 to 32%). Their 1955 share of total national assets, tangible and intangible, was nearly one-fifth (an increase from 13% in 1912 to 18%).

The share of the banking system in assets held by intermediaries has been declining, he shows, while that of the insurance system has been rising. Government agencies with monetary, social insurance, and lending functions, of which few were in existence as early as 1912, now hold one-fourth of all assets held by financial intermediaries.

Important Unknowns Are Highlighted

In 1955, when the economy was approaching a $400 billion level in national output, total payments during the year reached something like $3,200 billion, Fabricant says. Of that total, the only set of current national accounts devoted to financial flows — the flow-of-funds data pioneered by Morris A. Copeland at the National Bureau and continued by the Federal Reserve Board — can as yet trace only about half.

Interest rates are another blind spot, Fabricant points out. "Current statistics," he says, "provide not much more information on the structure of interest rates and security prices than did the wholesale prices of a few raw materials and semi-processed products on the structure of commodity prices 50 years ago."

He also points to the huge growth of public and private pension funds, from almost zero 20 years ago to an asset total of $70 billion today. Little is known yet of their economic impact, but they are still growing very rapidly, and Fabricant mentions important areas that may be affected; not only the well-being of the aged, but the rate and character of savings, the operations of the capital markets, the distributions of income, and the size and efficiency of the labor force.

He weighs the inadequate evidence on the question whether business cycles are now manageable, and proposes a comparative study of cycles in the past and under the "new" economy.

The relation between price trends, income distribution, capital formation, and economic growth is a field worth plowing deeper, Fabricant thinks. "The question is of more than theoretical interest to underdeveloped countries committed to policies of rapid growth, and to developed countries committed to policies of 'full' employment," he comments. "Our studies suggest that careful analysis of the historical facts in a variety of countries might help to raise the discussion of the question above its present largely speculative level."

Form D'Amico & Co.

BUFFALO, N. Y.—D'Amico & Co. has been formed with offices at 282 Longnecker Street to engage in a securities business. Officers are Ralph E. Schuessler, President; Chester M. Mazur, Vice-President; and Louis A. D'Amico, Secretary-Treasurer.

Public Utility Securities

By OWEN ELY

El Paso Natural Gas Company

El Paso Natural Gas, together with Pacific Northwest Pipe Line (which it controls through 98% equity interest) is now reported to be the largest natural gas pipe line system in the country—though in point of 1956 revenues it would rank only about sixth among gas systems. The company controls 13,300 miles of pipe line extending from the San Juan Basin of New Mexico and west Texas, and serving all three West Coast States.

Other interests include oil production, refining and marketing, exploration and development, manufacture of petrochemicals, and a stake in uranium. System acreage extends from western Canada to the Gulf of Mexico and owned gas reserves approximate 8.7 trillion cf. Minority holdings include a 23% interest in Western Natural Gas, 25% in Westcoast Transmission stock (held by Pacific Northwest Pipe Line), and 28% in Rare Metals Corp. which has total reserves of uranium oxide approximating 568,000 tons or more.

El Paso has been the most rapidly growing and expansion-minded gas system in the country. In comparison with revenues of less than $10 million in 1946, last year's gross exceeded $221 million, and with the acquisition of Pacific Northwest Pipeline sales this year should show another substantial gain. The Pacific Coast States are gas-hungry, especially since California production has proved inadequate in recent years. The Chase Manhattan Bank has estimated that by 1966 the Coast will need 6.5 trillion btu annually—of which 3.9 trillion would be supplied by oil and 2.3 trillion by gas. El Paso is gearing its expansion plans to supply about 70% of the area's gas requirements by 1960.

To take care of this big expansion the company has recently bought gas reserves in the Panhandle area, in Oklahoma and in the Permian and San Juan Basins, while Pacific Northwest has increased its own reserves in the Rocky Mountain region. In 1956, however, the company supplied only 11% of total requirements from its own reserves, with another 11% from its extraction plants.

El Paso is currently expanding its daily capacity by 150 million cf, and has applied to the FPC for another 185 million cf expansion. In a later program the company plans to obtain 300 million cf from Canada and 235 million from the Rocky Mountain area and elsewhere. The four items add up to 870 million cf per day, compared with the 1956 sales of 2.2 trillion daily.

El Paso has already signed contracts with its southern California customers for delivery of an additional 200 million cubic feet per day and is discussing deliveries of about the same amount with Pacific Gas & Electric. The program would involve construction of a new pipe line branching off the line of Pacific Northwest in Idaho and extending south to Nevada, and from there connecting with the subsidiaries of Pacific Lighting to move this gas to the Los Angeles area. The line would have an initial capacity of 400 million cf per day, half of which is already contracted for, and ultimately 800 million cf.

El Paso will obtain 150 million cf gas per day from the Savannah Creek Field in southern Alberta through Westcoast Transmission which will require building a new pipe line. Additional amounts of gas will be brought down from the Peace River area and Westcoast Transmission will be looped for short distances to transport this gas.

Natural gas sales contributed 84% of last year's revenues and gas liquids 7%, while oil and refined products accounted for only 7%, but El Paso, like other utility companies, is expanding its non-regulated activities. President Kayser is optimistic regarding the company's growing operations in the Tidelands, mainly in partnership with Gulf Oil and other oil companies. The company controls about 1 million acres in Canada, and has interests with other companies in Venezuela. It owns about 69% of Northwest Production but does not intend to acquire the remainder.

Refining and marketing operations are however being limited pretty much to the company's established service area. Several refineries were recently purchased, and another is being constructed along with alkalation and styrene plants—the latter linking up with a butadiene plant now under construction. The company may also build a pipeline to El Paso to transport oil products. Northwest Production plans to expand its refining and marketing operation, and later El Paso's new oil product line might be extended into the Salt Lake area where Northwest Production has considerable holdings.

El Paso's consolidated earnings for 1957 (including Pacific Northwest) are estimated at $1.80 per share on nearly 17 million shares of common and Class B common, or $2.60 a share if applied only to the dividend paying stock. (Both classes will share in dividends beginning next year.) The decline from last year's $2.11 is due mainly to the lag in developing the Pacific Northwest gas markets formerly served only by manufactured gas. The main competitor of gas in the Pacific Northwest is fuel oil, the price of which has recently been increased to $3.10-$3.20 per barrel. Water power, while important locally, is overall of limited importance. Earnings for 1958 will show a very substantial improvement and are now estimated roughly by Paul Kayser at $2.50 on all 17 million shares. This is probably calculated after substantial tax credits resulting from the loss carry-forward of Pacific Northwest.

El Paso, like other large natural gas systems, has to do a great deal of financing to take care of expansion needs. Early this year the company sold 150,000 $5.68 preferred shares and 300,000 $5 convertible preferred shares and issued 5,141,000 Class B common shares in exchange for 98% of Pacific Northwest Pipeline. As of March 31, 1957 capitalization was approximately as follows:

	Millions	Percent
Long-term debt	$435	60%
Preferred stock	89	12
Convertible second pfd.	7	1
Minority interest	1	--
Common stock	194	27
	$726	100%

In addition to its funded debt, El Paso has long-term debt due within a year plus notes payable to banks totalling about $70 million. If this amount were funded the equity ratio would be reduced to about slightly less than 25%.

El Paso Natural Gas has been selling recently on the Stock Exchange around 40 to yield 3.3% based on the $1.30 dividend rate. Based on the March earnings of $2.02 it is selling at about 20 times earnings.

Puget Sound Pow. & Lt. 6¼% Bonds Offered

Halsey, Stuart & Co., Inc. and Lehman Brothers and associates yesterday (June 26) offered $20,000,000 Puget Sound Power & Light Company first mortgage bonds,—6¼% series due July 1, 1987 at 103.459% and accrued interest. Award of the bonds was won on June 25 by the underwriters at competitive sale on a bid of 101.559%.

The bonds will be redeemable at regular redemption prices ranging from 110.50% to par, and at special redemption prices ranging from 103.50% to par, plus accrued interest in each case

Net proceeds from the sale of the bonds will be used by the company for construction purposes and repayment of short term loans.

The company's 1957 expansion program will require expenditures of approximately $24,800,000 and an additional $25,000,000 will be required for expansion through 1960. The company anticipates further permanent financing, the exact nature of which has not been determined. Pending such permanent financing, the company has obtained commitments from a number of banks permitting the borrowing of $25,000,000 not later than Jan. 31, 1959.

Puget Sound Power & Light Co. furnishes electric service to a 3,200 square mile area which includes the Puget Sound region of western Washington and part of Kittitas County in the central portion of the state. The territory includes 267 communities and adjacent rural areas with an estimated 1956 population of 700,000.

Hayden Stone Partners

Hayden, Stone & Co., 25 Broad Street, New York City, members of the New York Stock Exchange, on July 1st will admit to limited partnership, Thomas H. Jones, H. Harrison Smith, Galen L. Stone, and William D. Weeks.

On the same date Herbert G. Bell and Earle Gatchell, general partners, will also become limited partners.

Jerome Eisen Opens

BROOKLYN, N. Y. — Jerome Eisen is engaging in a securities business from offices at 2316 East 64th Street.

Kahl Opens Office

SAVANNAH, Ga.—Raymond W. Kahl, Jr. has opened offices at 15A Lamara Apartments to engage in a securities business.

E. E. Roth Opens

SANTA BARBARA, Calif.—Edward E. Roth is engaging in a securities business from offices at 424 Pimiento Lane Montecito. He was formerly with First California Company.

Continued from first page

What Is Past Is Prologue

Why should we expect this trend to stop? We are now caught in a vicious circle; the more the government spends, the more inflation; the more inflation, the higher the government expenses. Another vicious circle is the continuing increase in labor costs. The higher the labor costs, the higher the prices, the more inflation; the more inflation, the higher the labor costs and prices until the bubble bursts, as it must!

Budgets, Federal, state and local, have been rising and will continue to rise despite pious speeches made about cutting government expenses. Consumer prices, which have doubled since 1939, will continue to go up as they have in recent years despite promises made by those who ought to know better. Confiscatory taxes of business firms and the individual will continue to go up despite talk of tax cuts and they will continue to go up at the Federal, state and local level unless the underlying reasons for their rise are changed or eliminated. There is no indication that those who promise tax cuts are doing any more than wishful thinking. As a nation we seem to prefer dealing with symptoms rather than the disease itself.

Featherbedding and restrictive practices by labor unions sap the great productive power of our country and will continue to do so unless this trend is reversed. Restrictive practices are reducing employee productivity and potential productivity, soaking up the benefits that should be derived from automation and better tools and machines.

It is predicted that by 1975 we will have a population of 220 million and that 12 to 15% of that population will be over 65 years of age, with fixed incomes steadily purchasing less as the value of the dollar is reduced. This inflationary squeeze will make it exceedingly difficult for this group to exist except at the lowest living standard. Further, in 1975, despite increased automation and greater productive know-how, the labor force to support a population of 220 million will be inadequate because of the higher proportion of those under 21 years of age and those over 65 years of age.

Calls for Labor Statesmanship

Unless labor statesmanship reverses its present type of leadership, which still behaves as if we were living in the depressed 30's instead of the prosperous 50's, the present trend of giving less and less work for more and more money will so reduce our productive power that we may achieve full employment in a decaying economy. If the average worker knew where this process will lead him and our country, I am certain that he would stop, look and listen, for the inevitable results of continuing these policies will be the complete elimination of the profit incentive resulting in socialism and slave labor. Russia is a good example of a country with full employment, bureaucratic mismanagement (as evidenced by recent proposals for reorganization), captive unions, and a very, very low standard of living.

It is significant that a person of the economic persuasion of writer John Dos Passos says that the best way to put a man in the frame of mind to learn is to give him a "good scare." His "scare" follows: "One of our problems today is how to control and direct our own American type of socialism. If we don't, socialism will run mad as it has in Russia and China." Dos Passos is calling a spade a spade and correctly characterizing the present trend of our economy.

Here is another "scare" which I hope will arouse the American people out of their lethargy before it is too late. Dr. Karl Fuerbringer (Viennese economist, translated by H. Howard Thurston), says: "If socialism, a scheme of mediocrities rather than men of proven ability, is financially unworkable, what happens when the United States is at last socialized by confiscatory income taxes and strangulation of industry in the British manner? Without a capitalist nation to produce wealth, civilization may expect chaos."

Suggests No Exceptions

What good will it do labor to get higher and higher wages, shorter and shorter hours, more and more restrictive and featherbedding practices if in the end union members become the victims of labor dictators, or find themselves paid with a dollar that is almost worthless? Somehow we must get across to the working man in this country that the ideas contained in a letter sent by Walter P. Reuther to President Eisenhower on Nov. 28, 1956 apply to labor as they do to the other segments of our economy. Mr. Reuther stated:

"Ours is the challenge of achieving the delicate economic balance within the framework of our free economy in which we encourage maximum voluntary economic decisions, with a minimum of governmental economic directives. The degree of government interference into our economic life will be determined in a large measure by the degree of social and moral responsibility and concern for the general welfare that free economic groups demonstrate in making their voluntary economic decisions. When free economic groups fail to carry out their basic social and moral responsibilities to the community as a whole, the vacuum created by such failure will inevitably be filled by greater government intervention into the economic sphere and the area of voluntary economic decisions will be narrowed in like proportion."

I would like to go back and quote again one sentence from this letter.

"The degree of government interference into our economic life will be determined in a large measure by the degree of social and moral responsibility and concern for the general welfare that free economic groups demonstrate in making their voluntary economic decisions."

Mr. Reuther by his actions, seems to think that the "social and moral responsibility and concern for the general welfare" applies to every segment of our society *except labor unions*. I insist, on the other hand, that labor unions have a decided moral and social responsibility for the general welfare of our economy and society and that with very few exceptions, present labor leadership is not supplying it. The moral and social responsibility of labor unions to the general welfare of our economy may in the end be the determining factor of our whole way of life because of the great strength of labor unions both in numbers and accumulated wealth. I suggest also that political parties may give in to the demands of labor unions to win support of their members although such "friends" may prove labor's worst enemy.

We have heard a great deal about labor's productivity but the fact is that labor's productivity is the result of better tools, better machines and innovations in production know-how. We must not

forget also that in past years there has been a shift of workers from the farm to industry, from low productivity on the farm to very high output in industry, thus accounting for part of the increase in labor productivity. How long these factors will be able to counter-balance featherbedding and restrictive practices artificially forcing a low output per man-hour is a crucial question.

Job for Congress

The Congress of the United States should at the earliest possible opportunity make a thorough investigation into the featherbedding and restrictive practices which will ultimately strangle our economy if unchecked. It must protect labor against itself as it is now protecting labor's rights and pension and welfare funds which apparently the labor unions were unable to do for themselves.

An investigation into the building industry, for example, will show that it is riddled with featherbedding and restrictive practices. In the April issue of "Fortune" magazine, there is a statement which I know to be true from my own experience as a builder of branch stores for a large department store.

"The building industry has done nothing to end labor practices that demand a day's pay for an 'engineer' to press a button starting a cement mixer at the beginning of the work-day, press the button once again at the day's end."

This is not an isolated example. I remember having to discard about $25,000 worth of metal shelving and substitute wooden shelving because two labor unions insisted that each had the right to make the installation and each threatened to strike if the other did the job. If one union struck, all the other unions on the job—and there are many on a building project—would walk off too.

I remember one man sitting on the roof of the building under construction, day after day, doing absolutely nothing, but he had to be there to represent his union because of some restrictive and featherbedding interpretation union leaders made for the particular job.

The high cost of building which practically makes it impossible to produce housing at prices the general public can afford to pay, will continue so long as we permit restrictive featherbedding practices to exist in the building industry today. In this connection, "Fortune" quotes a pertinent excerpt from "House and Garden":

"Costs hardly seem to matter if you could just get FHA to cover them in its appraisal. . . . We learned to hide increased costs under easier terms. What difference did it make if your price went up from $10,000 to $12,000 if extending the mortgage from 15 to 20 years made the monthly payment lower on the higher price. The truth is that it made virtually no difference at all to the builder so long as the easy mortgage money lasted, and so long, of course, as climbing costs had not too drastically narrowed his market."

Mr. Peter Drucker in his recent book, "The Next Twenty Years," has this to say: "Housing will be a major political issue—nationally as well as locally. We are at present building in the new industrial areas some of the worst slums this country has ever seen. . . . These new slums are expensive but the fact that a tar paper shack costs $14,000 does not make it any less of a shack."

Robber Barons and Cheap Money

Those who keep agitating for cheap government money as the answer to building more and more houses, and of course at higher and higher prices, are following the dangerous pattern of the times. Getting a government subsidy has become a matter of "each for himself" rather than a matter of ethics and the well being of our total society. Something is happening to the moral fibre of our society. The so-called robber barons of the past would be shocked at the kind of invisible robbery we tolerate today.

The tragedy slowly unfolding for us is the more serious because the big companies are no longer in the hands of the owners but in the hands of professional managers. Inevitably there must be a difference, and there is, between an owner and a paid manager. I believe it is not unfair to say that it is easier and safer for professional management to give in to union demands, no matter how unreasonable, and then pass the increased costs on to the consumer. In my humble opinion, I think that is exactly what has been happening. Once that pattern has been set, the small businessman is completely helpless and must accept higher costs whether he can afford them or not. As a matter of fact, in many cases, such as the building industry, for example, the contractor works under the authority of the labor unions rather than vice versa.

Not Anti-Union

If what I have said thus far prompts someone to suggest that I am anti-union, I must state very emphatically that I believe in labor unions. I believe they could be and have been in many ways an asset to our economy. I believe in the rights of labor to bargain collectively but I also believe that labor must voluntarily give of itself freely to raise production to even a higher level and make its moral contribution to our total social structure. I believe in higher wages when tied to increased productivity. I believe the working man is first a citizen of the United States and only secondly a member of a labor union and labor leaders must not be allowed to behave as though a worker is first a member of a union and only secondly a citizen of the United States.

These are the reasons why I chose the title, "What Is Past Is Prologue" and these are the issues we are facing today. The prologue must be judged by what has been done in recent years and on that basis we should not be surprised that the great economist, Joseph Schumpeter, just before his death in 1949, stated that he was pessimistic about America's ability to survive because he felt that the American public does not understand the danger of inflation and that inflation is destroying our society.

This is a very serious indictment of the leadership of both our political parties because they know that to prevent inflation we must resort to unpleasant and uncomfortable measures. They know that those measures, for a time, may be even more unpleasant than those which were taken to combat depressions. But they have been reluctant to educate the public to the fact that it is not a depression that threatens our economy but that the imminent danger is inflation and the destruction of the middle class. Historically, inflation has usually destroyed the middle class.

Civic Interest

The recent political campaign is a clear example of the lack of public interest in issues that so vitally affect the future of our country but were not debated. The public's lethargy to the basic economic problem and the failure of courageous leadership to wake them up is a very serious threat to our country.

In the face of what has been happening in the past, can those who glibly talk about any significant reduction in Federal, state and local expenditures or significant reduction in Federal, state and local taxes be serious? Our people must not be misled by false promises and prophecies. As a matter of fact, the people who talk about reduction in government expenditures must know, for example, that at least 30% of the increase in defense procurement expenditures in the last ten years is due to the fact that prices have risen. Inflation accounts for at least 20% of all increased government spending in the last ten years. How can anyone promise significant cuts when month after month prices go up and the value of the dollar is eroding?

"The Economist," the noted British weekly, in a recent issue presented the "Parkinson Law" which states that British Government employees multiply by about 5% a year even though their total output does not increase in proportion. This should have a familiar ring for us too!

The National Bureau of Economic Research found that in the United States between 1900 and 1950 that labor rose about 125%, while the number of government employees increased almost 500%. In 1900 one employee in 25 worked for the Federal, state or local government. Now it is one employee in every eight. In this connection the First National City Bank of New York concludes that, "if these trends are projected into the future, one finds that in the year 2069 we will *all* be working for the government."

I started with the statement that unless the trend of the last 25 years is reversed we will end up in the same plight as Great Britain and France or perhaps even worse. There, featherbedding on the part of labor, restrictive practices and confiscatory taxes have almost destroyed the economy and put them on the brink of, if not into, socialism. The incentive to expand and to re-invest earnings into better and more productive machinery has been lost in these countries, knowing as they do, that increased productiveness of machines will be soaked up by labor and any better profit will be consumed by taxes.

If the trend here is not changed or stopped, it must inevitably bring us also to the brink, if not directly into, socialism and an economic system abhorrent to freedom-loving Americans. The real danger is that we are rapidly approaching the hour of decision and it will take many courageous men of stature who would "rather be right than President" to turn this tide.

I sincerely believe that if the American people, *all* the American people, understand the real meaning of recent trends and where they are leading us, they will face up to the situation. It will not be necessary to feed them political tranquilizers in order to keep them ignorantly happy.

I have great faith in the common sense of the American people and therefore I cannot help but believe that the right kind of leaders will emerge from labor, from government, and from industry, in time to save us from losing the social and economic system which has proved to be the bulwark against communism, nazism, and fascism and is the only strong social system left that the rest of the world can count on to keep it free.

Dunbar Director

John B. Dunbar, partner in Shearson, Hammill & Co., has been elected to the Board of Directors of Budget Finance Plan, Los Angeles.

Two With Jensen Stromer

(Special to THE FINANCIAL CHRONICLE)

MARYSVILLE, Calif.—Fred G. Lucas and Emmett W. Scott have become affiliated with Jensen & Stromer, 426 East Fifth Street.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The Treasury, in order to meet a shortage of cash at the start of the new fiscal period, offered $3 billion of 264-day tax anticipation bills for new money. These bills will be dated July 3, 1957 and will mature March 24, 1957 and will be acceptable at face value in the payment of income and profit taxes due March 15, 1958. Payment for the new money tax anticipation bills may be made by crediting the Treasury tax and loan accounts of the commercial banks. By making the new money offering in the form of bills, the Treasury will let the market set the rate. Also, by having them payable through the tax and loan account, these bills will bring a more attractive rate than would be the case if they were offered in the regular way.

This new money borrowing will only cover thee Treasury's cash needs for the start of the new fiscal year which begins July 1. Therefore, it is very evident that additional new money financing will have to be done in the not distant future, with October (if not sooner) being guessed as the likely time.

Tight Money Policy to Continue

The money market, based on the statements which are coming out of the hearings that are being held in Washington, will probably remain on the tight side for an extended period of time. It is evident that the monetary authorities are pretty much of the opinion that the best way to fight the inflation and the inflation psychology is by means of a tight money market and rising interest rates. There is considerable question, to be sure, as to the effectiveness of higher interest rates as a vehicle of control as far as the inflationary forces are concerned, particularly in view of the exceptionally high income tax rates. There might be a reduction in income taxes at some future date, but the time when this will take place is a matter of considerable conjecture, because as long as the inflationary pressures are strong and continue to mount there will be no lowering of income taxes, nor will there be any let-up in the money tightening operations of the powers that be.

Corporate Market Sets the Pace

The new issue market, especially for corporate bonds, continues to set the pace as far as the whole bond market is concerned. This is the sector of the bond market which has a large interest because institutional buyers are making commitments in these securities, since they can very readily obtain all the securities they want at yields which are to their liking. This does not mean that all of the new bonds have "gone out the window." As a matter of fact, quite a number of these new issues have broken well below the original offering price. On the other hand, premium flotations have also gone below the original issue price because of the rising interest rates.

Treasury—Corporate Bond Yield Spread

This upward trend in the yields of new corporate bond offerings is having a marked effect on the yields of long-term Government bonds and this has resulted in yield spreads between these two types of securities which are as large as it has been in many years. This brings up the question as to whether this yield spread between long-term Government bonds and corporate bonds, that is the highest rated ones, is likely to widen or will there be less of a spread with the passing of time?

Under Spread in Favor of Corporate Expected

For the present, at least, the thinking is that this spread between Government and corporate bond yields will widen because of the large amount of corporate bonds that are coming and will continue to come into the market. To be sure, if there should be a let-up in the offerings of corporate bonds, there should be a decrease in the yields of these bonds, which should tend to lessen the spread between corporate bonds and the most distant Government bonds.

Selling of Treasury Bonds Continues

Despite the declining market in long-term Treasury bonds, it is reported that selling is still going on in these issues because the money realized from these sales is being reinvested in higher yielding corporate and tax-exempt bonds. Also, there is substantial evidence that the money which is being obtained from the cashing in of Government savings bonds is being reinvested in tax-exempts, corporates and to a minor extent in common stocks.

According to reports, there is a somewhat enlarged interest in long-term Government bonds on the part of public pension funds. It is indicated that these buyers of long Treasury issues have been making commitments as the market goes down, even though these purchases have not been too large and they have been wider spaced than was true in the past.

August Refunding on Short-Term Basis

The August refunding is still a money market factor, even though there is very little in the way of mystery as to what it will be. There is no doubt but what it has to be short-term in order to meet the needs of those that will be interested in taking on these securities, so that the attrition will be kept within limits.

Form Walker-Stevens

LONG BEACH, N. Y.—Walker-Stevens, Inc. has been formed with offices at 470 East Park Ave. to engage in a securities business. Officers are Irving W. Koff, President and Treasurer, Irma Koff, Vice-President, and Hyman Kobert, Secretary. Mr. Koff was previously with J. H. Lederer & Co.

E. M. Joyce Opens

BOSTON, Mass. — Edward M. Joyce has opened offices at 10 Tremont Street to engage in a securities business.

Form Edwards & Co.

MONTGOMERY, Ala.—Edward H. Edwards is engaging in a securities business from offices in the Bell Building, under the name of Edwards & Co.

Continued from first page

Federal Debt and Budget in Past Four and a Half Years

agement. We have problems, but no crisis.

I propose to cite the recommendations of our Committee in 1948 and summarize briefly what we have accomplished in fulfilling them.

Our Committee described, under four headings, the dangers to the American people arising from our huge debt.

One of the dangers is dilution of the dollar: inflation.

Another is the risk of boom and bust: after you inflate, you almost always deflate.

The third is smothering of enterprise. With the huge debt, the amount of taxes is large. The debt interferes with the capital markets and tends to hold back private enterprise.

Fourth is the loss of human freedoms: big government, big budgets, big taxes, and huge financing operations cramp the freedom of the individual citizen.

The Recommendations—and The Action

(1) Control the Budget

The first recommendation of the report was to control the budget. Have we done that? We have had our successes and our shortcomings.

Sometimes I hear critics say, "You have today the biggest budget you ever had." That isn't so. In 1953, we inherited from President Truman a budget of $74.3 billion and a deficit of $9.4 billion. We face for the next fiscal year a $71.8 billion budget with a surplus. Mr. Truman's budget for 1954, which he gave out in January, 1953, was $78 billion, with a planned deficit of $10 billion.

We cut the spending by $10 billion, from $74½ billion down to $64½ billion in 1955. We cut taxes at the same time by $7½ billion.

From this low point, the budget has risen, partly due to the high cost of new military equipment, partly due to adjustments of Federal salaries, partly due to programs voted by the Congress, often larger than recommended by the Administration. Of course, the great problem is the military budget. We are operating a "guns and butter" economy and cannot escape it until some move towards arms reduction becomes possible. On national security we cannot take any chances.

While we are far from satisfied, we have made great steps in getting the budget under control.

Further progress in better budget control depends on the cooperation of all the people for a large part of the budget is not made by the President but is given him by the Congress. Program after program reflects Congressional action at greater or less variance from the suggestions of the Administration.

Success in getting the budget under control will depend on what the people tell their representatives in Congress to do, or what the representatives think their people want. In the last analysis, the people determine the size of the budget. They decide by their pressures or by their inattention what they want and what they are willing to pay for.

(2) Reduce the Debt

The second recommendation of our Committee was to reduce the debt. We have begun to do so, though it has taken about three years to meet the inherited commitments before we could start reducing the debt. We had an inherited deficit of $9½ billion in 1953. We cut that deficit to less than half of this amount in 1954 and 1955, and then we had a surplus in 1956; we will have one in 1957; and we are budgeting for one in 1958.

This is the time when, with high national prosperity, we should be reducing the debt—and we are.

We are now operating under a temporary debt ceiling of $278 billion. This is the third year in which a temporary increase in the debt limit has been necessary to permit the Treasury to meet seasonal borrowing needs during the year. Under the present law, the limit will return to its permanent level of $275 billion on June 30, 1957. To keep under this limit will call for restraint in spending and postponement of further tax cuts until a much larger surplus is in sight.

(3) Distribute the Debt

The debt is most dangerous when increasing amounts are held by commercial banks, for, in that form, it adds to the money supply and can be inflationary. In four ways, we have succeeded in a better distribution of the debt.

(a) We have reduced the amount of debt held by the commercial banks by $4 billion from December, 1952, to December, 1956.

(b) We have increased the amount held by individuals in these four years by about $1½ billion. The $6 billion increase in holdings of E and H Savings Bonds during the past four years has more than offset and decline in holdings of other savings bonds.

(c) We reopened the market for long-term bonds, which had been practically closed from 1946 to 1952.

(d) We have cut back what may be called the "floating debt"; that that is, the debt maturing in one year, or redeemable on demand in the hands of larger holders. I include in the floating debt the F and G and the J and K Savings Bonds, which have proved their volatility by coming in for redemption at inconvenient times. We have terminated the sale of these bonds for that reason.

Another part of the floating debt that we have terminated is the so-called tax savings notes, redeemable at any time, so they were demand obligations like the F and G bonds. If you add up these types of short-term or demand debt, you will find that we have cut this "floating debt" by $25 billion from 1953 to the end of 1956.

In all these ways, we have reduced the inflationary potential of the debt.

This program of redistribution of the debt was particularly successful in 1954 and 1955, when, with favoring conditions, $40 billion of the debt was stretched out into longer maturities — either bonds or notes.

In recent months, with the capital market heavily congested with new issues, the redistribution program has slowed down; and the Treasury, at the moment, has to do its financing largely at short-term.

In distributing the debt, you have to be something of an opportunist. You have to seize the opportunities when they arise and, at other times, have patience to wait. You can't force free markets.

Meantime, we are still avoiding an inflationary increase in the bank-held debt and, at the same time, are still increasing a little the bonds held by individuals.

(4) Restore Flexible Interest Rates

Restoring flexible interest rates is an easy phrase which covers a lot of territory. What it means is to handle the debt in a way that allows the natural forces of the market and monetary policies to work. If you peg interest rates, you make useless the natural forces which are most effective for controlling economic fluctuations. If you allow the natural forces of supply and demand to work on credit and allow the interest rates to go up as the pressure for funds increases, these forces will act as a brake on expanding credit. Slowly, but surely, they will have their effect. Never underestimate the power of these great natural forces for the self-correction of excesses in our economy.

Interference with free market forces may be necessary in emergencies, but long-continued interference leads to disruptions that inevitably cause more harm than good. That was precisely what occurred when the Treasury encouraged the Federal Reserve to make money cheap and overly plentiful prior to 1951. Although interest rates were kept low, prices skyrocketed, and our dollar lost almost half of its purchasing power.

This Administration has released these free market forces. We have stopped telling the Federal Reserve what they must do. We have given them freedom to carry out their policies, the central core of which is allowing the law of supply and demand to work in the market. This is the first time in nearly 20 years that that was true. In doing this, we have followed exactly the recommendations made in 1950 by a Subcommittee of the Joint Committee on the Economic Report chaired by Senator Paul Douglas.

(5) Nourish a Dynamic Economy

If you have a prosperous country with steady growth of the national income and production, it is easier to carry the debt; interest on the debt becomes a smaller proportion of national income. That has happened. The reduction of taxes in 1954 was good. The removal of price and wage controls —the reassertion of business confidence — has encouraged the growth in the economy which enables us to live with the debt more easily and enjoy more of the good things of life. Actually, the national debt now is 79% of the national income, as compared with 136% as recently as 1946. That means the interest charge is a smaller proportion of the national income than it used to be.

In all these ways, gradually in the past 4½ years, we have made real progress in this problem of handling the debt.

This is like a great campaign with many battles. Some of the battles you win, and some of them you lose; but the campaign goes forward. The objectives have been perfectly clear; they have been followed—with complete cooperation between the Federal Reserve and the Treasury, as never before. Our principles are right; there may be temporary setbacks, but we shall continue to make progress.

A Wave of Unjustified Pessimism

Before closing, I want to refer to a kind of wave of pessimism about the current financial situation, which seems to me unjustified.

In the public press and speeches, we find such expressions as these:

"There is a certain amount of alarm in the country about a possible depression . . ."

"With all the talk of 'private enterprise,' we are already well along with state of capitalism."

"There will be continued inflation . . ."

"There will be no decrease of the budget."

". . . the powers that be, in Congress and out of it, will back away from the present economy drive."

". . . the type of dynamic economy we have evolved demands continued government spending at a high level. It is a perpetual 'pump priming' process . . ."

"The Treasury is walking into a rough proposition and is going to sponsor a good deal of inflation."

These statements seem to me a perverted interpretation of the events of the past 4½ years.

In these years, we have had, and are having, a great and growing prosperity.

We made a vigorous cut of $10 billion in government spending and a cut of $7½ billion in taxes.

We have removed price and wage controls, so that the public and the individual are freer than they were.

Prices have been more stable than in any similar period for many years. A recent slight flare-up partly reflects higher costs of services and gradual removal of rent controls. But there has been no credit inflation or general commodity price rise.

For these 4½ years, the Treasury has financed itself in noninflationary ways and has begun to pay off the debt.

We have released from political controls the great forces of supply and demand in the money market and have given the Federal Reserve System freedom to act in the public interest.

We do have problems. They are the problems of prosperity. They arise from that great confidence in the future which leads our consumers and suppliers alike to seek ever larger additional amounts of credit with which to buy, build, and produce more goods. This very confidence, and the record rates of employment and business activity which reflect it, more than demonstrate the ability of our society to absorb declines in government spending and the vitality of our free enterprise economy to bring an ever higher living standard to our people.

Pessimism? Our country, our government, and our free economy are the admiration of the world. They more than warrant, and will continue to have, our confidence!

Continued from page 4

The State of Trade and Industry

In the automotive industry the past week medium-price car makers were scheduling a rash of temporary assembly line shutdowns and unemployment furloughs during June and July.

"Ward's Automotive Reports" stated on Friday last, that most of the auto industry's vehicle production, excepting some low-price field car plants, will be closed from July 4 until July 8 for a long Independence Day weekend affecting upwards of 200,000 employees.

In addition, it noted that Mercury's Wayne, Mich., plant was closed last week, idling 3,500 and several Mercury plants may be idled on Monday July 8; De Soto is scheduling a two-week shutdown June 24-July 7 at Detroit, furloughing 2,800; Dodge [illegible] ing off 3,900 at Detroit July 8; Buick will halt its Flint, Mich., operations July 4-14, idling 11,000. General Motors Corp.'s seven Buick-Oldsmobile-Pontiac branch assembly plants each will lose from 3 to 6 production days during July due to inventory adjustments.

The production layoffs, "Ward's" said, come despite a 16% rise in June passenger car output over a year ago, and exclude low-price field cars plus Dodge, and Chrysler. "Ward's" attributed the Dodge layoff to cut back of De Soto output handled at the Dodge plant.

Included in the June output rise are 118,538 car completions the past week compared with 125,373 in the week preceding. The same week a year ago netted 105,148.

Explaining last week's fall-off were four-day operations at De Soto, a Monday "heat" loss at Dodge and a strike at the Ford Div., Dallas, Texas, unit.

The statistical agency said the auto industry is benefiting from a mid-year buying trend towards low-price cars, which are running at 65% of industry production this month compared with 63.9% in May and 60% in April.

"Ward's" explained this by saying that the industry's low-price cars account for 30 (or 63%) of the United States total of 48 car assembly plants, plus 14 or (61%) of the industry's 23 plants currently on a second-shift basis. Only four fewer auto plants are on a second turn now than at the outset of the model year nine months ago. Thus, the use of single-day or one-week shutdowns instead of abolition of second assembly shifts is also stabilizing employment.

Steel Production Placed at 86.7% of Ingot Capacity This Week

By the end of the first half, the nation's steel mills will have produced 60,785,000 net tons of steel or at an annual rate, 121,500,000 tons, "Steel" magazine stated on Monday last. Production will have averaged about 91% of capacity.

While the operating rate will dip in July and August, the weekly metalworking publication said that if production averages 89% of capacity in the last half, the year's cut-turn will be 120,000,000 tons. The record is 117,036,085 tons in 1955.

It pointed out that some users will soon be restricting or halting their intake of steel because of vacation shutdowns. Usually, arrangements are made to receive steel during such closings. This year, there are reports of plants preparing to close up shop completely, even to dispensing with maintenance.

The operating rate last week slipped a half point after three consecutive weeks of gain. Mills worked at 88% of capacity, a rate equal to 2,252,351 net tons of steel for ingots and castings. Even though demand has slackened since the first of this year, steel consumption remains high as consumers use up inventories.

The publication reported that steel likely will cost more in another week than it does now. An automatic wage increase due the steelworkers under the three-year labor contract becomes effective July 1. A steel price increase is expected to accompany the wage boost.

The best bet is that the steel price rise will average $5 to $6 a ton. This will be inadequate to cover a probable wage boost cost of 17.1 cents per man per hour, of which 8.7 cents represents employment costs—resulting from the hourly increase of 7.0 cents; 1.7 on increments; 0.4 in holiday pay; 2.3 for Sunday premium and 4.0 cents in cost of living.

A rise of 17.1 cents an hour means steel production costs

would go up to $10.26 a ton, but policy makers are questioning whether they can pass along the full costs.

Restraints on the price increase are the July 1 wage boost cost, which is a little less than last year's, demand for steel is lighter; consumers, especially those in a profit squeeze, think prices shouldn't rise much and the fact that first quarter steel earnings are higher than in the same period, 1956. There also is pressure to help restrain inflation.

Expectations are for the price increase to be made on base prices, rather than extras and for the increase to vary from product to product. A round of increases on extras ended only a couple of months ago. It was a sequel to last summer's average increase of $8.50 a ton on base prices.

The American Iron and Steel Institute announced that the operating rate of steel companies, having 96.1% of the steelmaking capacity for the entire industry will be an average of 86.7% of capacity for the week beginning June 24, 1957, equivalent to 2,229,000 tons of ingot and steel for castings, as compared with 85.2% of capacity, and 2,181,000 tons (revised) a week ago.

The industry's ingot production rate for the weeks in 1957 is based on annual capacity of 133,459,150 tons as of Jan. 1, 1957.

For the like week a month ago the rate was 88.0% and production 2,252,000 tons. A year ago the actual weekly production was placed at 2,114,900 tons or 85.9%.

The operating rate is not comparable because capacity is higher than capacity in 1956. The percentage figures for 1956 are based on an annual capacity of 128,363,090 tons as of Jan. 1, 1956.

Electric Output the Past Week Extended Its Gains Of the Prior Period

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, June 22, 1957, was estimated at 12,337,000,000 kwh., according to the Edison Electric Institute. Output the past week reached its highest point, since the week ended Jan. 26, last, when production stood at 12,410,000,000 kwh. The all-time high record was reached on Jan. 19 last, when production attained a level of 12,556,000,000 kwh.

The past week's output increased 379,000,000 kwh. above that of the previous week; it rose 859,000,000 kwh. or 7.5% above the comparable 1956 week and 2,111,000,000 kwh. over the week ended June 25, 1955.

Car Loadings Rose 1.7% Above Prior Week But Were 6.9% Under Like 1956 Period

Loadings of revenue freight for the week ended June 15, 1957, increased by 12,648 cars or 1.7% above the preceding week the Association of American Railroads reports.

Loadings for the week ended June 15, 1957, totaled 746,125 cars, a decrease of 55,303 cars, or 6.9% below the corresponding 1956 week and a decrease of 33,832 cars, or 4.3% lower than the corresponding week in 1955.

U. S. Automotive Output Eased Further the Past Week Due to Curtailed Operations

Automotive output for the latest week ended June 21, 1957, according to "Ward's Automotive Reports," eased further the past week as a result of four-day operations at De Soto, a Monday "heat" loss at Dodge and a strike at the Ford Div., Dallas, Texas, unit.

Last week's car output totaled 118,538 units and compared with 125,372 (revised) in the previous week. The past week's production total of cars and trucks amounted to 142,317 units, or a loss of 5,803 units below that of the preceding week's output, states "Ward's."

Last week the agency reported there were 23,779 trucks made in the United States. This compared with 22,748 in the previous week and 21,688 a year ago.

Last week's output fell below that of the previous week by 6,834 cars, while truck output advanced by 1,031 vehicles during the week. In the corresponding week last year 105,148 cars and 21,688 trucks were assembled.

"Ward's" latest news release did not report on Canadian car or truck output the past week.

Business Failures Continue Downward Trend The Past Week

Commercial and industrial failures fell to 241 in the week ended June 20 from 265 in the preceding week, Dun & Bradstreet, Inc., reports. For the fourth time in the last six weeks, the toll dipped below last year and it was down slightly from 245 a year ago, but continued well above the 205 in the comparable week in 1955. Failures were 22% less numerous than in prewar 1939 when 310 occurred.

A decline among casualties with liabilities of $5,000 or more brought their toll down to 201 from 220 although it remained above the 197 last year. Small failures, those involving liabilities under $5,000 dipped to 40 from 45 in the previous week and 48 in the similar week of 1956. Twenty businesses failed with liabilities in excess of $100,000 as compared with 34 a week ago.

Manufacturing failures continued upward to 52 from 43, but all other industry and trade groups had lower tolls during the week. Retail casualties declined to 124 from 139, wholesalers to 18 from 21, construction contractors to 30 from 43 and service concerns to 17 from 19. While considerably more manufacturers failed than last year, tolls fell short of the 1956 level in other functions.

Wholesale Food Price Index Turned Downward In Latest Week

After rising for four successive weeks, the wholesale food price index, compiled by Dun & Bradstreet, Inc., turned lower last week to stand at $6.20 on June 18, as against $6.22 a week ago. The latest figure compares with $6.09 on the corresponding date a year ago, or a gain of 1.8%.

Higher in wholesale cost during this week were wheat, corn, rye, oats, lard and eggs, while hams, coffee, cocoa, raisins, steers, hogs and lambs registered lower prices.

The index represents the sum total of the price per pound of 31 raw foodstuffs and meats in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Rose in Latest Week

At 291.30 on June 17, the Dun & Bradstreet daily wholesale commodity price index moderately exceeded the 289.10 of the preceding week and was noticeably above the 286.65 of the corresponding date a year ago.

Slight price declines in livestock, coffee, cocoa and lead were offset by substantial rises in grains, steel scrap, rubber and sugar. Lard, textiles, tin and flour prices were close to those of a week earlier.

Unfavorable weather conditions in growing areas stimulated trading in corn and oats during the week and prices rose appreciably.

Both trading and prices in wheat were close to those of the previous week. Exports of wheat and flour for the week amounted to nearly 10,000 bushels with total exports for the season so far estimated at 508,000,000 bushels, exceeding all recent government predictions.

Although total grain trading on the Chicago Board of Trade climbed over that of a week earlier, it remained below the year ago level. Purchases of soybeans expanded slightly, but price declines occurred. Average daily purchases of grain and soybean futures in Chicago were about 42,000,000 bushels. This compared with 36,000,000 bushels in the prior week and 60,000,000 bushels in the comparable 1956 period.

While the buying of most types of flour was sluggish, prices held steady. Flour receipts at New York railroad terminals on Friday amounted to 73,101 sacks, including 25,716 for export and 47,385 for domestic use. Cocoa prices fell somewhat as trading slackened. Warehouse stocks of cocoa in New York dipped to 259,719 bags as against 260,306 bags a year ago. Arrivals for the year so far were 1,888,635 bags, compared with 2,332,646 bags in the similar 1956 period.

There was a moderate rise in the buying of coffee, but futures prices slipped slightly. Anticipating a slight rise in price of sugar futures, buyers increased their purchases at the beginning of the week and prices expanded moderately at the end of the period.

Despite a decline in receipts, hogs prices declined last week for the first time in six weeks. Hog trading slackened at the end of the week. While cattle receipts expanded, they were slightly less than a year ago. Trading was sluggish and prices were close to those of the prior week. Following the decline in the hog market, lard futures prices fell moderately.

Cotton futures prices on the New York Cotton Exchange rose again the past week as trading advanced somewhat.

Estimates on the total carryover of free cotton at the end of the crop year on July 31 showed a total of 6,900,000 bales, compared with 4,600,000 bales at the end of last season.

Exports of cotton for the week ended on Tuesday of the preceding week amounted to about 111,000 bales, as against 69,000 bales a year ago and 101,000 bales a week earlier. Total exports for the current season through June 11 were estimated at 7,111,000 bales, sharply above the 1,938,000 of a year ago.

Trade Volume in Latest Period Ranged from 1% Below To 3% Above Like Period of 1956

Although Father's Day sales promotions helped boost purchases of men's apparel over those of the prior week, volume was less than a year ago. However, total retail trade showed a year-to-year gain, reflecting increased buying of women's apparel and household goods. Automobile dealers reported a rise in both new car sales and inventories. Father's Day gift shoppers were primarily interested in men's furnishings and sportswear, while the call for lightweight suits lagged. Best-sellers in women's merchandise were beach accessories, swimwear, and cotton dresses. Extremely hot weather in many areas encouraged purchases of air conditioners. Volume increases in summer furniture, some major appliances and garden implements were reported.

The total dollar volume of retail trade in the period ended on Wednesday of last week was from 1% below to 3% higher than a year ago, according to estimates by Dun & Bradstreet, Inc. Regional estimates varied from the comparable 1956 levels by the following percentages: New England and East North Central —4 to 0; Middle Atlantic and Pacific Coast 0 to +4; West North Central —5 to —1; South Atlantic +1 to +5; East South Central —2 to +2; West South Central +2 to +6 and Mountain States —1 to +3%.

There was another rise last week in wholesale orders for women's Fall apparel and volume noticeably exceeded that of a year ago. Best-sellers were lingerie, dresses and coats. Bookings in women's summer sportswear continued at a high level. Although textile wholesalers reported moderate declines in orders for cotton gray goods and carpet wool, trading in woolens equalled that of the prior week. While attendance at furniture shows in Chicago and Grand Rapids was high, orders were below expectations falling moderately below those taken at the similar events last year.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended June 15, 1957, declined 2% below the like period last year. In the preceding week, June 8, 1957, an increase of 1% (revised) was reported. For the four weeks ended June 15, 1957, no change was recorded. For the period Jan. 1, 1957 to June 15, 1957, an increase of 2% was registered above that of 1956.

Retail trade volume in New York City last week rose 5% to 9% above the similar period a year ago, according to trade observers. The heat wave the past week was more conducive to the sale of seasonal goods than was the case in 1956.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended June 15, 1957, declined 1% below that of the like period of last year. In the preceding week, June 8, 1957, a decrease of 2% was reported. For the four weeks ending June 15, 1957, no change was registered. For the period of Jan. 1, 1957 to June 15, 1957, the index recorded a rise of 3% above that of the corresponding period in 1956.

NY Investment Ass'n 11th Annual Outing

The 11th annual outing of the Investment Association of New York will be held on Friday, June 28, at the Apawamis Country Club in Rye, New York.

The entertainment committee, under the chairmanship of A. Parker Hall, Jr., Shearson, Hammill & Co., has completed plans for a day of golf, tennis and swimming, followed by the Bar Room Stock Exchange and dinner. Lunch will also be served. John G. Peterkin, Laurence M. Marks & Co., and his committee are handling the arrangements for the golfers and Arthur B. Treman, Jr., Dillon, Read & Co. Inc., and his committee will line up the tennis competition. John F. Bryan, Smith Barney & Co., has some special events planned to lighten the proceedings and, it is understood that Vincent R. Smith, Jr., G. H. Walker & Co., has arranged for a sumptuous dinner, to top off the day.

The Investment Association's "Stock Exchange" which opens for trading once a year at the annual outing, is to be headed by Chairman William N. Schill, Reynolds & Co.

Syndicate Managers are: Ralph F. Peters, Discount Corp., and Mack C. Harris, Reynolds & Co.

Majors: Arthur C. Burns, Dominick & Dominick; Douglas Delanoy, Jr., Aubrey G. Lanston & Co.; Clinton Gilbert, Jr., Blyth & Co., Inc.; William H. Gregory, III, Gregory & Sons; John C. Maxwell, Jr., Tucker Anthony & R. L. Day; Duer McLanahan, Jr., Glore, Forgan & Co.; Charles H. Mott, Baker Weeks & Co.; Stuart I. Repp, Smith Barney & Co.; William H. Steen, First Boston Corp. Robert G. Strachan, Morgan Stanley & Co.; Frederick S. Wonham, G. H. Walker & Co., and Dean S. Woodman, Merrill Lynch, Pierce, Fenner & Beane.

It is anticipated that all of the Association's membership will attend this year's outing which promises to be the best ever.

In scheduling the 11th Annual Tournament, the Golf Committee has planned a challenging program. For the first time "The Investment Association of New York Golf Championship" permanent trophy will be presented.

Awards will be made for: Low Gross; Runner-Up Low Gross; *Low Net; *Runner-Up Low net; *Net Best-Ball (Twosome — excluding champion and partner); Best Match Play Against Par; Fewest Putts; Betting on 5th Hole against house odds; Nearest to Pin on 6th Hole; Longest Drive on 10th Hole; Longest Drive on 14th Hole; High Gross; Most Lost Balls; Kicker's Tournament (Selected Holes).

No contestant can win more than one prize other than Kicker's Entry Fee $2 plus Greens Fee of $5 payable at first tee.

*The Callaway Handicap System will be used. Ask for IANY Special scorecard *and* Apawamis scorecard on 1st tee.

There will also be a chipping contest near Club House. Entrance fee $1 for 4 shots. We expect to have this activity under way by 1 o'clock.

Members of the Golf Committe are: John G. Peterkin, Laurence M. Marks & Co., Chairman; Robert F. Seebeck, Hemphill, Noyes & Co.; Charles E. McDonnell, McDonnell & Co.; Walter Michael Giblin Jr., DeCoppet & Doremus, and Andrew W. Eberstadt, F. Eberstadt & Co.

Now With Alm, Kane

(Special to The Financial Chronicle)

CHICAGO, Ill. — Robert W. Thomas has become associated with Alm, Kane, Rogers & Co., 39 South La Salle Street. He was formerly with Barclay Investment Co.

Securities Now in Registration

★ INDICATES ADDITIONS
SINCE PREVIOUS ISSUE
• ITEMS REVISED

Academy Life Insurance Co.
April 18 filed 750,000 shares of common stock (par 50 cents) to be offered for subscription by military, National Guard, active, retired or reserves, personnel and not to the public at large. **Price**—$1 per share. **Proceeds**—For operating capital. **Office** — Colorado Springs, Colo. **Underwriter**—None. **Offering**—Expected in about three weeks.

All America Expansion Corp., Pasadena, Calif.
May 3 filed 184,000 shares of common stock, of which 92,000 shares are to be offered to public and 92,000 shares issued to promoters. **Price**—To public, $1 per share; no proceeds from sale to promoters. **Proceeds**—For general corporate purposes. **Business**—Purchase and resale of oil fruits grown in Brazil and other countries. **Underwriter**—None. LeRoy R. Haynes, of Pasadena, Calif., is President.

★ **Altamil Corp., El Segundo, Calif. (7/22-26)**
June 24 filed 250,000 shares of common stock (par 50 cents). **Price**—$5.50 per share. **Proceeds**—For working capital and other corporate purposes. **Underwriter**—Van Alstyne, Noel & Co., New York.

American Guaranty Corp.
May 13 (letter of notification) 38,651 shares of common stock (par $1) being offered to stockholders of record May 17, 1957 on a basis of one new share for each three shares held (with an oversubscription privilege); rights to expire June 28, 1957. Any unsubscribed shares will be offered to public residents in Rhode Island and Massachusetts. **Price**—$7.50 per share. **Proceeds**—For working capital. **Office**—49 Westminister St., Providence, R. I. **Underwriter**—None.

American Hardware Corp.
April 8 filed 118,000 shares of common stock (par $12.50) being offered in exchange for common stock and class B common stock of Kwikset Locks, Inc., at the rate of one share of American Hardware for each two Kwikset common shares and 55,500 American Hardware common shares for 150,000 shares of Kwikset class B common stock. The offer is conditioned upon its acceptance of not less than 85% of the issued and outstanding Kwikset common and class B common shares by June 28. **Underwriter**—None.

American Income Fund, Inc., New York
May 24 filed 500,000 shares of capital stock (par $1). **Price**—At market. **Proceeds**—For investment. **Underwriter**—None. Burton H. Jackson is President. **Investment Adviser** — Securities Cycle Research Corp., New York.

American Provident Investors Corp.
Feb. 15 filed 50,000,000 shares of common stock (par one cent). **Price**—$2 per share. **Proceeds** — For working capital and general corporate purposes. **Office**—Dallas, Tex. **Underwriter**—Peoples Securities Co., J. D. Grey, of New Orleans, John S. Tanner, of Dallas, and C. L. Edmonds, of Houston, three of the 22 directors, are Chairman, Vice-Chairman and President, respectively.

★ **Artcraft Printers, Fresno, Calif.**
June 11 (letter of notification) 50 shares of common stock and $250,000 of certificates of indebtedness to be offered to unions, employers and employees of company. **Price** — Of stock, $100 per share; and of certificates, at par (in denominations of $50 each). **Proceeds**—To purchase additional equipment and for working capital. **Office**—479 No. Fresno St., Fresno, Calif. **Underwriter**—None.

Associates Investment Co.
May 24 filed $20,000,000 of 20-year subordinated debentures due June 1, 1977. **Price**—To be supplied by amendment. **Proceeds** — For working capital and to reduce short-term bank borrowings. **Underwriters** — Salomon Bros. & Hutzler and Lehman Brothers, both of New York. **Offering**—Postponed indefinitely.

Bank Building & Equipment Corp. of America
June 11 (letter of notification) 14,285 shares of common stock (par $2). **Price**—$21 per share. **Proceeds**—To two selling stockholders. **Underwriter** — Scherck, Richter Co., St. Louis, Mo.

Bankers Fire & Marine Insurance Co.
April 25 (letter of notification) 19,854 shares of common stock (par $5) to be offered to stockholders of record May 30, 1957 on a basis of two new shares for each 11 shares held; rights to expire July 30, 1957. **Price**—$11 per share. **Proceeds** — To increase capital and surplus accounts. **Office** — 312 N. 23rd St., Birmingham 3, Ala. **Underwriter**—None.

★ **Beta Theta Pi Building Association**
June 21 (letter of notification) $50,000 of 4½% debentures maturing during 1967. **Price**—At par (in multiples of $1,000). **Proceeds**—To construct a fraternity house. **Office** — 165 Fifteenth Ave., Columbus, Ohio. **Underwriter**—None.

Bonanza Oil & Mine Corp., Sutherlin, Ore.
Feb. 11 (letter of notification) 71,710 shares of common stock (par 10 cents). **Price** — 75 cents per share. **Proceeds**—To go to selling stockholder. **Underwriter**—L. D. Friedman & Co., Inc., New York, N. Y.

• **Butler Brothers, Chicago, Ill.**
May 28 filed 40,000 shares of common stock (par $15) being offered for subscription by certain of the Ben Franklin franchise holders. This offer expires at 3:30 p.m. (CDT) on July 17. **Price**—$23 per share. **Business**—Distributors of general merchandise. **Underwriter**—None.

C & D Batteries, Inc.
March 28 (letter of notification) 14,000 shares of common stock (par $10) to be offered for subscription by stockholders and employees. **Price**—$12.50 per share. **Proceeds** — For machinery, equipment, inventories and working capital. **Office** — Washington and Cherry Sts., Conshohocken, Pa. **Underwriter**—None.

Calidyne Corp., Winchester, Mass.
May 1 filed $1,250,000 of Limited Partnership Interests to be offered first to present limited partners at the rate of one $1,000 unit for each $1,000 of his present investment; then to public. **Price**—$1,000 per unit. **Proceeds** — To construct plant; to purchase machinery and equipment; and to reduce outstanding demand notes. **Business**—Produces electro-dynamic shaker and other vibration test equipment. **Underwriter**—None. Robert C. Lewis, Philip C. Efromson and Thomas Gouzoula, all of Winchester, Mass., are the general partners of this Massachusetts Limited Partnership.

★ **California-Oregon Power Co.**
June 18 (letter of notification) 9,496 shares of common stock (par $20) to be offered to employees. **Price** — At market (estimated at $31.59 per share). **Proceeds**—For construction, improvement or extension of the company's facilities. **Office** — 216 West Main St., Medford, Ore. **Underwriter**—None.

• **Cameron Industries, Inc., New York**
June 7 filed 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For exploration and development program. **Underwriter**—R. G. Worth & Co., Inc., New York. **Offering**—Expected sometime in July.

★ **Canary Mining Co.**
June 20 (letter of notification) 150,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For mining expenses. **Office** — 1334 10th St., Modesto, Calif. **Underwriter**—None.

Carolina Mines, Inc., Kings Mountain, N. C.
March 29 filed 679,469 shares of common stock, of which 283,676 shares are to be offered for subscription by stockholders at the rate of five additional shares for each four shares held; and the remainder will be offered to the public. **Price**—At par ($1 per share). **Proceeds**—To repay loans, for exploration and development work, construction and working capital. **Underwriter** — None. A. S. MacCulloch of Vancouver, B. C., Canada, is President and principal stockholder.

Central Illinois Light Co. (7/9)
June 12 filed $15,000,000 of first mortgage bonds due 1987. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Kuhn, Loeb & Co.; Eastman Dillon, Union Securities & Co.; The First Boston Corp.; Harriman Ripley & Co., Inc.; Merrill Lynch, Pierce, Fenner & Beane and Stone & Webster Securities Corp. (jointly). **Bids**—Expected to be received up to noon (EDT) on July 9 at 300 Park Ave., New York, N. Y.

Chess Uranium Corp.
May 14 (letter of notification) 600,000 shares of common stock (par $1—Canadian). **Price**—50 cents per share. (U. S. funds). **Proceeds**—For exploration costs, etc. **Office**—5616 Park Ave., Montreal, Canada. **Underwriter**—Jean R. Veditz Co., Inc., 160 Broadway, New York.

★ **C.I.T. Financial Corp., New York (7/15)**
June 24 filed $100,000,000 of serial debentures, having different interest rates and maturity rates. **Price**—To be supplied by amendment. **Proceeds**—For refunding other debt and for furnishing additional working funds to subsidiaries to be used by them in the ordinary course of business for the purpose of purchasing receivables and for other corporate purposes. **Underwriter** — Salomon Bros. & Hutzler, New York.

Coastal Chemical Corp., Yazoo City, Miss.
May 1 filed 150,000 shares of class C common stock to be offered for sale to farmers and other users of fertilizer materials. **Price**—At par ($25 per share). **Proceeds**—To construct and operate facilities for manufacture of anhydrous ammonia. **Underwriter**—Mississippi Chemical Corp., Yazoo City, Miss.

★ **Coleman Realty Co., Inc., Exeter, N. H.**
June 21 (letter of notification) 7,000 shares of common stock (no par). **Price**—$10 per share. **Proceeds**—To purchase real estate and for working capital. **Underwriter**—None.

Colonial Aircraft Corp., Sanford, Me.
March 29 filed 250,000 shares of common stock (par 10¢), to be issued upon exercise of warrants to purchase the following number of shares and held as follows: Glick & Co., Inc., underwriters of original offering, 140,000 shares; and by three individuals 110,000 shares. **Price**—Shares to be offered at market. Warrants are exercisable at 10 cents per warrant. **Proceeds**—From sale of shares to sellers of warrants. **Underwriter**—None.

• **Comico Corp., Memphis, Tenn. 7/15-16)**
May 2 filed 750,000 shares of common stock. **Price**—$2 per share. **Proceeds**—To construct mill; for payment on mining leases and royalty agreement. **Underwriter**—Southeastern Securities Corp., New York.

Conticca International Corp., Chicago, Ill.
March 13 filed 558,100 shares of class A common stock (par $1). **Price**—$5 per share. **Proceeds** — To discharge current notes payable, including bank loans, and long term debt in the total sum of approximately $1,030,000; for new equipment; and for working capital. **Underwriters** — Allen Shaw & Co., 405 Lexington Ave., New York 17, N. Y.; and Shaw & Co., San Marino, Calif.

Continental Mineral Resources, Inc.
June 11 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For mining expenses. **Office**—c/o Registrar & Transfer Agent, Nevada Agency & Trust Co., Cheney Bldg., Reno, Nev. **Underwriter**—Birkenmayer & Co., Denver, Colo.

Continental Mines & Metals Corp., Paterson, N.J.
April 24 filed 400,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For exploration and development of properties. **Underwriter** — Leward M. Lister & Co., Boston, Mass.

★ **Cooperative Trading, Inc.**
June 18 (letter of notification) 5,000 shares of common stock. **Price** — At par ($10 per share). **Proceeds** — To strengthen the current position of the company. **Office**—665 McAlister Ave., Waukegan, Ill. **Underwriter**—None.

Cougar Mine Development Corp.
March 15 (letter of notification) 560,000 shares of common stock (par one cent). **Price** — 50 cents per share. **Proceeds** — For diamond drilling on company's lands, prospecting expenses, working capital and other corporate purposes. **Office**—83 Campfield St., Irvington, N. J. **Underwriter**—Roth & Co., Maplewood, N. J.

★ **Crowell-Collier Publishing Co.**
June 24 filed $2,730,000 of 5% convertible debentures; 2,500 common stock purchase warrants (exercisable at $5 per share); 30,000 common stock purchase warrants (exercisable at $10 per share); and 1,032,000 shares of common stock (par $1), of which all of the debentures and 254,000 common shares have been issued (the latter on conversions of $1,270,000 of debentures) and 546,000 shares are issuable upon conversion of the outstanding $2,730,000 of debentures; the remaining 32,500 shares are issuable upon exercise of common stock purchase warrants.

Daybreak Uranium, Inc., Opportunity, Wash.
May 7 filed 631,925 shares of common stock (par 10 cents). **Price** — At market (approximately 53 cents per share). **Proceeds**—To selling stockholders. **Underwriter** Herrin Co., Seattle, Wash.

★ **de Vegh Mutual Fund, New York**
June 20 filed (by amendment) 50,000 additional shares of capital stock (par $1). **Price**—At market. **Proceeds**—For investment.

• **Emerson Electric Manufacturing Co. (7/9)**
June 18 filed $3,390,000 of convertible subordinated debentures due July 15, 1977 to be offered for subscription by common stockholders on the basis of $100 principal amount of debentures for each 20 shares of stock held of record July 9, 1957; rights to expire on July 23. **Price** — To be supplied by amendment. **Proceeds** — For capital expenditures and working capital. **Underwriters**—Smith, Barney & Co. and Van Alstyne, Noel & Co., both of New York; and Newhard, Cook & Co., St. Louis, Mo.

Engelberg Huller Co., Inc.
May 6 (letter of notification) 4,084 shares of common stock (par $10) to be offered for subscription by stockholders of record May 15, 1957 on a 3-for-10 basis; rights to expire June 15. **Price**—$25 per share. **Proceeds**—For expansion of belt grinder division. **Office**—831 West Fayette St., Syracuse, N. Y. **Underwriter**—None.

Epsco, Inc., Boston, Mass. (7/2)
June 13 filed 60,000 shares of common stock (no par). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for working capital. **Underwriter**—W. C. Langley & Co., New York.

Eric Corp. of America, Philadelphia, Pa.
May 14 filed $375,000 of 10-year 6% debentures due March 1, 1967; 3,750 shares of 7% cumulative preferred stock (par $100); and 7,500 shares of common stock (par $1) to be offered in units of $500 of debenture, five shares of preferred stock and 10 shares of common stock. **Price**—$1,010 per unit. **Proceeds**—Together with other funds, to purchase, directly or through subsidiaries, drive-in theatres; to acquire other properties, etc.; and for working capital. **Underwriter**—None.

• **Federal Insurance Co.**
June 7 filed 400,000 shares of capital stock (par $4) to be offered in exchange for 400,000 shares of Colonial

Life Insurance Co. of America capital stock (par $10) on the basis of four Federal shares for each Colonial Share. Offer will become effective upon acceptance by holders of 90% of Colonial stock, or, at option of Federal, acceptance by not less than 80% of the Colonial shares. Offer will continue to and including July 26, unless extended. **Dealer-Managers** — The First Boston Corp. and Spencer Trask & Co., both of New York. Expected to become effective today (June 27).

First Mississippi Corp., Jackson, Miss.
April 10 filed 10,000,000 shares of common stock (par $1), of which 2,500,000 shares are to be offered publicly at $4 per share prior to Nov. 30, 1957, each purchaser of one share to receive an option to purchase two additional shares at any time prior to Nov. 30, 1959 at $4.50 per share. The price of the remaining 2,500,000 shares will be $5 each, of which 500,000 shares are to be reserved for exercise of options to be granted to directors, officers and employees. **Proceeds** — For industrial and business development of Mississippi and the South. **Underwriter**—None.

Florida Trust, Pompano Beach, Fla.
March 4 filed 850 certificates of beneficial interest in the Trust. **Price**—$1,000 per certificate. **Proceeds**—To acquire by purchase, lease or otherwise, and to hold, own, subdivide, lease, mortgage, exchange, bargain, sell and convey lands and every character of real property. **Underwriter**—None.

★ **Founders Mutual Depositor Corp., Denver, Colo.**
June 19 filed (by amendment) the following additional securities: $32,000 Systematic Payment Plan certificates and 800 Accumulative Plan certificates. **Price**—At market. **Proceeds**—For investment.

Fluorspar Corp. of America
May 28 (letter of notification) 30,000 shares of common stock (par $1) to be offered for subscription by common stockholders on the basis of one new share for each four shares held. **Price**—$8.50 per share. **Proceeds**—For mining operations. **Office**—433 S. E. 74th Ave., Portland, Ore. **Underwriter**—None.

Frigikar Corp.
June 6 (letter of notification) 9,000 shares of common stock (par 50 cents). **Price** — At market (estimated $5.50 per share). **Proceeds**—To go to Daniel D. Dillingham. **Office**—1602 Cochran St., Dallas, Texas. **Underwriter**—Muir Investment Corp., San Antonio, Texas.

General Aniline & Film Corp., New York
Jan. 14 filed 426,988 shares of common A stock (no par) and 1,537,500 shares of common B stock (par $1). **Proceeds**—To the Attorney General of the United States. **Underwriter**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc., and The First Boston Corp. (jointly); Kuhn, Loeb & Co., Lehman Brothers and Glore, Forgan & Co. (jointly). **Bids** — Had been scheduled to be received up to 3:45 p.m. (EDT) on May 13 at Room 654, 101 Indiana Ave., N. W., Washington 25, D. C., but bidding has been postponed.

General Credit, Inc., Washington, D. C.
Aug. 17, 1956 filed $2,000,000 of 6% subordinated sinking fund debentures, due Sept. 1, 1971, with detachable warrants to purchase 160,000 shares of participating preference stock, to be offered in units of $500 of debentures and 40 warrants. **Price**—$500 per unit. **Proceeds**—For expansion and working capital. **Underwriter**—None named. Offering to be made through selected dealers. Application is still pending with SEC.

★ **General Parking, Inc.**
June 18 (letter of notification) 240,000 shares of common stock (par $1). **Price**—$1.25 per share. **Proceeds**—To retire outstanding debt; for expansion of subsidiary corporation and for working capital. **Office**—c/o Edwin F. Clements, 5312 Glenwood Ave., Youngstown, Ohio. **Underwriter**—L. L. LaFortune & Co., Las Vegas, Nev.

General Telephone Corp., New York
May 24 filed 1,480,787 shares of common stock (par $10) and 170,000 shares of 5.28% convertible preferred stock (par $50) being offered in exchange for common and preferred stocks of Peninsular Telephone Co. on the basis of 1.3 shares of General common for each share of Peninsular common, and one-half share of General preferred share for each share of Peninsular $1 preferred, $1.30 preferred and $1.32 preferred. No exchange of preferred stock will be made unless at least 80% of the Peninsular preferred stock is exchanged. Offer will expire on July 15. **Dealer-Managers**—Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp.

Georgia Casualty & Surety Co.
May 10 (letter of notification) 10,000 shares of common stock (par $5) to be offered first to stockholders and agents, then to the public. **Price**—$30 per share. **Proceeds** — To expand and finance the company's regular line of business. **Office**—70 Fairlie St., N. W., Atlanta, Ga. **Underwriter**—None. Dan D. Dominey is President.

Getty Oil Co., Wilmington, Del.
June 17 filed 100,000 shares of common stock (par $4) to be offered for sale from time to time on the New York Stock Exchange. Certain private placements may be made. **Price**—Either at the market or at a price not lower than the bid price nor higher than the asking price quoted on the Exchange at time of such offering. **Proceeds**—To J. Paul Getty, President, who is the selling stockholder. **Underwriter**—None.

Gibbs Automatic Moulding Corp.
May 22 filed $1,000,000 of 6% convertible debentures due March 31, 1967. **Price**—At par. **Proceeds**—To increase company's activities and for working capital. **Office**—Henderson, Ky. **Underwriter**—Cook Enterprise, Inc., 111 S. 7th St., Terre Haute, Ind.

Government Employees Corp.
May 24 filed $652,000 5% convertible capital debentures due June 30, 1967, being offered for subscription by common stockholders of record June 10, 1957 at the rate of $100 of debentures for each 20 shares of common stock held; rights to expire on July 8, 1957. **Price** — 100% of principal amount. **Proceeds** — For working capital. **Underwriters**—Johnston, Lemon & Co., Washington, D. C.; and Eastman Dillon, Union Securities & Co., New York.

Haydu Electronic Products, Inc.
June 3 (letter of notification) 100,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For working capital. **Office**—1426 West Front St., Plainfield, N. J. **Underwriter**—Berry & Co., Plainfield and Newark, N. J.

Holy Land Import Corp., Houston, Texas
Feb. 27 (letter of notification) 100,000 shares of common stock. **Price**—At par ($3 per share). **Proceeds**—For inventory, working capital, etc. **Underwriter**—Benjamin & Co., Houston, Tex.

Household Gas Service, Inc., Clinton, N. Y.
May 29 (letter of notification) $75,000 of first mortgage 5% sinking fund bonds due May 1, 1965. **Price**—90% of principal amount. **Proceeds**—For equipment repayment of debt and working capital. **Underwriter** — Mohawk Valley Investing Co., Inc., Utica, N. Y.

Ignacio Oil & Gas Co., Denver, Colo.
May 20 filed 650,000 shares of common stock (par 50 cents). **Price**—$1 per share. **Proceeds**—For drilling and completion of test wells; for acquisition and exploration of additional properties; and for working capital. **Underwriter**—None. W. Clay Merideth is President.

★ **Insured Accounts Fund, Boston, Mass.**
June 19 filed 5,000 shares of beneficial interest. **Price**—$5,000 per share. **Proceeds**—For investment. **Business**—An open-end investment trust.

International Duplex Corp., San Francisco, Calif.
Dec. 21, 1956 filed 500,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—To equip and establish five super launderettes and for working capital. **Underwriters**—Names to be supplied by amendment.

● **International Fidelity Insurance Co. (7/15)**
March 28 filed 100,000 shares of common stock (no par) to be offered for subscription by stockholders at the rate of one new share for each seven shares held. **Price** —To be supplied by amendment. **Proceeds**—For working capital, etc. **Underwriter**—Franklin Securities Co., Dallas, Texas.

International Insurance Investments, Inc.
June 10 filed 118,140 shares of common stock (par $1) and warrants to purchase 354,420 additional shares of common stock to be offered in units of one common share and three warrants to buy three common shares. **Price**—$3.75 per unit. Each warrant entitles holder to purchase one common share at $2.75 per share. **Proceeds** —To acquire stock of fire insurance unit and for general corporate purposes. **Office** — Englewood, Colo. **Underwriter**—American Underwriters, Inc., also of Englewood, Colo.

★ **Island Inn Co.**
June 20 (letter of notification) 3,750 shares of common stock (par $1). **Price**—$50 per share. **Proceeds**—For working capital. **Office**—E-1006 First National Bank Bldg., Saint Paul, Minn. **Underwriter**—None.

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NEW ISSUE CALENDAR

June 27 (Thursday)
Chicago & North Western Ry.___Equip. Trust Cfts.
(Bids noon CDT) $2,235,000

June 28 (Friday)
First National City Bank of New York___Common
(Offering to stockholders—underwritten by The First Boston Corp.) $120,000,000

July 1 (Monday)
Mountain States Telephone & Telegraph__Common
(Offering to stockholders—no underwriting) 584,176 shares
Precision Transformer Corp.___________Debentures
(John R. Boland & Co., Inc.) $299,880
Sonoco Products Co.___________________Common
(Offering to stockholders—underwritten by R. S. Dickson & Co., Inc., and G. H. Crawford & Co., Inc.) 60,000 shares
Southern California Edison Co.___________Bonds
(Bids to be invited) $40,000,000

July 2 (Tuesday)
Epsco, Inc.______________________________Common
(W. C. Langley & Co.) 60,000 shares
National Telefilm Associates, Inc.___Notes & Com.
(Cruttenden, Podesta & Co.; Cantor, Fitzgerald & Co.; and Westheimer & Co.) $5,000,000 notes and 350,000 common shares
Rochester Gas & Electric Corp.____________Bonds
(Bids 11 a.m. EDT) $15,000,000

July 8 (Monday)
Phoenix Investment Co.___________________Common
(Clement A. Evans & Co., Inc. and The Robinson-Humphrey Co., Inc.) $1,900,000

July 9 (Tuesday)
Central Illinois Light Co.___________________Bonds
(Bids noon EDT) $15,000,000
Emerson Electric Mfg. Co.______________Debentures
(Smith, Barney & Co.; Van Alstyne, Noel & Co.; and Newhard, Cook & Co.) $3,390,000
Wisconsin Telephone Co._______________Debentures
(Bids 11 a.m. EDT) $30,000,000

July 10 (Wednesday)
Manufacturers National Bank of Detroit__Common
(Offering to stockholders—underwritten by Blyth & Co., Inc.; First of Michigan Corp.; and Watling, Lerchen & Co.) 156,607 shares
Montreal (City of)_________________Debentures
(Bids to be invited) $25,000,000
Pacific Power & Light Co.________________Common
(Offering to stockholders—bids 11 a.m. EDT) 376,600 shares
Washington Water Power Co._____________Bonds
(Kidder, Peabody & Co.; Blyth & Co., Inc.; White, Weld & Co.; and Laurence M. Marks & Co.) $30,000,000
West Penn Power Co.______________________Bonds
(Bids 11 a.m. EDT) $20,000,000

July 11 (Thursday)
Merchants Co. ____________________Debentures
(Offering to stockholders—underwritten by Lewis & Co.) $300,000

July 15 (Monday)
Allied Paper Corp.___________________Debentures
(Glore, Forgan & Co.) $3,500,000
C. I. T. Financial Corp._______________Debentures
(Salomon Bros. & Hutzler) $100,000,000
Comico Corp. ____________________________Common
(Southeastern Securities Corp.) $1,500,000
International Fidelity Insurance Co._______Common
(Offering to stockholders—to be underwritten by Franklin Securities Co.) 100,000 shares
Polymer Corp. _________________Class A Common
(A. G. Edwards & Sons) 70,000 shares
Texas Electric Service Co.__________________Bonds
(Bids 11:30 a.m. EDT) $16,000,000
Western Hemisphere Petroleum Co.______Common
(Sanders & Co. and Rauscher, Pierce & Co., Inc.) 400,000 shares

July 16 (Tuesday)
Jersey Central Power & Light Co.___________Bonds
(Bids 11 a.m. EDT) $15,000,000
Minneapolis-Honeywell Regulator Co.____Common
(Offering to stockholders—underwritten by Eastman Dillon, Union Securities & Co.) 333,382 shares

July 17 (Wednesday)
Great Northern Ry._____________Equip. Trust Ctfs.
(Bids to be invited) $4,965,000
Tracerlab, Inc. __________________________Common
(Lee Higginson Corp.) 200,000 shares

July 18 (Thursday)
Mercast Corp. ____________________________Common
(Offering to stockholders—no underwriting) 420,778 shares

July 22 (Monday)
Altamil Corp. ____________________________Common
(Van Alstyne, Noel & Co.) $1,375,000

July 23 (Tuesday)
Pacific Gas & Electric Co.__________________Bonds
(Bids 11 a.m. EDT) $60,000,000

July 25 (Thursday)
Southern Pacific Co.____________Equip. Trust Ctfs.
(Bids to be invited) about $9,000,000

July 30 (Tuesday)
Bell Telephone Co. of Pennsylvania___Debentures
(Bids 11 a.m. EDT) $50,000,000

July 31 (Wednesday)
Norfolk & Western Ry._____Equipment Trust Ctfs.
(Bids to be invited)

August 13 (Tuesday)
Northern States Power Co. (Minn.)________Bonds
(Bids 11 a.m. EDT) $15,000,000

August 20 (Tuesday)
Pacific Telephone & Telegraph Co.____Debentures
(Bids to be invited) $90,000,000

September 4 (Wednesday)
Louisville Gas & Electric Co.______________Bonds
(Bids to be invited) $15,000,000

September 10 (Tuesday)
Duke Power Co.__________________________Bonds
(Bids to be invited) $50,000,000

September 11 (Wednesday)
New Jersey Bell Telephone Co._______Debentures
(Bids to be invited) $30,000,000

September 18 (Wednesday)
Norfolk & Western Ry._____Equipment Trust Ctfs.
(Bids to be invited)

October 1 (Tuesday)
Southwestern Bell Telephone Co._____Debentures
(Bids to be invited) $100,000,000
Utah Power & Light Co.____________________Bonds
(Bids to be invited) $15,000,000
Utah Power & Light Co.__________________Common
(Bids to be invited) 400,000 shares

October 15 (Tuesday)
Indiana & Michigan Electric Co.____________Bonds
(Bids 11 a.m. EST) $20,000,000

November 19 (Tuesday)
Ohio Power Co.__________________________Bonds
(Bids 11 a.m. EST) $28,000,000
Ohio Power Co.________________________Preferred
(Bids 11 a.m. EST) $7,000,000

December 3 (Tuesday)
Virginia Electric & Power Co.______________Bonds
(Bids to be invited) $20,000,000

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Isthmus Steamship & Salvage Co., Miami, Fla.
May 21 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—To purchase a ship and for working capital. **Underwriter**—Anderson Cook Co., Inc., Palm Beach, Fla.

Jersey Central Power & Light Co. (7/16)
May 29 filed $15,000,000 of first mortgage bonds due 1987. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; The First Boston Corp.; White, Weld & Co.; Eastman Dillon, Union Securities & Co.; Salomon Bros. & Hutzler and Merrill Lynch, Pierce, Fenner & Beane (jointly). **Bids**—To be received up to 11 a.m. (EDT) on July 16 at office of General Public Utilities Corp., 67 Broad Street, New York 4, N. Y.

Klassen Enterprises, Inc., Hayward, Calif.
May 29 (letter of notification) 300,000 shares of capital stock, of which 100,000 shares are being offered to outstanding shareholders in exchange for such outstanding shares and certain claims against the company; the remaining 200,000 shares are to be offered to the public. **Price**—At par ($1 per share). **Proceeds**—For working capital. **Office**—22105 Meekland Ave., Hayward, Calif. **Underwriter** — Stephenson, Leydecker & Co., Oakland, Calif.

★ Little Queen Mines, Inc., Atlanta, Ida.
June 10 (letter of notification) 2,200,000 shares of common stock. **Price**—At par (one cent per share). **Proceeds**—For mining expenses. **Underwriter**—None.

★ Lobitos Oilfields, Ltd.
June 12 filed 80,000 American depositary receipts for ordinary registered stock. **Depositary**—Guaranty Trust Co. of New York.

Marion Finance Corp., Ardmore, Pa.
March 28 filed $250,000 of 6% renewable subordinated debentures, due upon demand May 1, 1967, without demand May 1, 1972. **Price**—At par (in units of $100 and $500 each). **Proceeds**—For working capital. **Office**—17 W. Lancaster Ave., Ardmore, Pa. **Underwriters**—Walnut Securities Corp., Philadelphia, Pa.; B. Ray Robbins Co., New York; and Berry & Co., Plainfield, N. J.

Mascot Mines, Inc., Kellogg, Idaho
June 3 (letter of notification) 800,000 shares of common stock. **Price**—At par (17½ cents per share). **Proceeds**—For mining expenses. **Office**—Sidney Bldg., Kellogg, Idaho, Malcolm C. Brown is President. **Underwriter**—Standard Securities Corp., Spokane, Wash., and Kellogg, Idaho.

★ Mercast Corp., New York, N. Y. (7/18)
June 24 filed 420,778 shares of capital stock (par 10 cents) to be offered for subscription by stockholders of record July 18, 1957 on the basis of two new shares for each three shares held. **Price**—To be supplied by amendment. **Proceeds**—For expansion program, to repay outstanding notes to Atlas Corp. and for working capital. **Underwriter**—None.

Merchants Co. (7/11)
June 10 (letter of notification) $300,000 of 6% convertible subordinate debentures due 1972 to be offered to common and preferred stockholders of record of July 11, 1957. (Debentures are convertible into common stock subsequent to July 31, 1962 and prior to Aug. 1, 1971, in limited amounts and freely thereafter as described). **Price**—At par in units of $125 each. **Proceeds**—For working capital. **Office**—300 East Pine St., Hattiesburg, Miss. **Underwriter**—Lewis & Co., Jackson, Miss.

★ Mid Central Oil & Minerals, Inc.
June 13 (letter of notification) 300,000 shares of common stock (par two cents). **Price**—$1 per share. **Proceeds**—For mining expenses. **Office**—Cheney Bldg., Reno, Nev. **Underwriter**—None.

★ Mid-Way Recreation, Inc.
June 5 (letter of notification—by amendment) 14,000 shares of 6% cumulative preferred stock (par $10) and 15,000 shares of common stock (no par). **Price**—$10 per share. **Proceeds**—For construction of building, etc. and general corporate purposes. **Office**—213 Jensen Road, Vestal, N. Y. **Underwriter**—None.

★ Minneapolis-Honeywell Regulator Co. (7/16)
June 24 filed 333,382 shares of common stock (par $1.50) to be offered for subscription by common stockholders of record July 16, 1957 at the rate of one share of new for each 20 shares held; rights to expire on or about Aug. 1, 1957. **Price** — To be supplied by amendment. **Proceeds**—For expansion program. **Underwriter**—Eastman Dillon, Union Securities & Co., New York.

Mississippi Valley Portland Cement Co.
Dec. 26 filed 1,600,000 shares of capital stock (no par), of which 708,511 shares are subject to an offer of rescission. **Price**—$3 per share. **Proceeds**—For completion of plant, provide for general creditors and for working capital. **Office**—Jackson, Miss. **Underwriter**—None, offering to be made through company's own agents.

Monticello Associates, Inc.
Feb. 18 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds** — For capital expenditures, including construction of motel, roadside restaurant and gas station. **Business**—Has been processing and selling of gravel. **Office**—203 Broadway, Monticello, N. Y. **Underwriter**—Walnut Securities Corp., Philadelphia, Pa.

Montreal (City of) (7/10)
June 7 filed $7,200,000 of 5¼% sinking fund debentures due Feb. 15, 1977 and $17,800,000 of 5¼% sinking fund debentures due March 1, 1977. **Price** — To be supplied by amendment. **Proceeds**—For local improvement and public works. **Underwriter**—To be determined by competitive bidding. Shields & Co., Halsey, Stuart & Co. Inc., Savard & Hart and Salomon Bros. & Hutzler (jointly); Lehman Brothers, White, Weld & Co., Eastman Dillon, Union Securities & Co. and Blyth & Co., Inc. (jointly); The First Boston Corp. **Bids**—Expected to be received up to 2:30 p.m. (EDT) on July 10.

★ Mount Wilson Mines, Inc., Telluride, Colo.
June 24 filed 400,000 shares of class A common stock (par 50 cents). **Price**—$1 per share. **Proceeds**—For exploration and related purposes, including construction of a mill. **Underwriter** — Investment Service Co., Denver, Colo.

Mountain States Telephone & Telegraph Co. (7/1)
June 5 filed 584,176 shares of capital stock (par $100) to be offered for subscription by stockholders of record June 20, 1957 on the basis of one new share for each five shares held; rights to expire on July 31. Subscription warrants are expected to be mailed on July 1. **Price**—At par ($100 per share). **Proceeds**—To repay advances from American Telephone & Telegraph Co., the parent, which owns 86.74% of the presently outstanding shares. **Underwriter**—None.

Mutual Investment Trust for Profit Sharing-Retirement Plans, Inc., Richmond, Va.
March 19 filed 50,000 shares of capital stock (par $1), to be offered trustees of profit sharing retirement plans. **Price**—At market. **Proceeds**—For investment. **President**—T. Coleman Andrews. **Office** — 5001 West Broad St., Richmond, Va.

Mutual Investors Corp. of New York
May 17 (letter of notification) 295,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—To acquire real estate properties and mortgages. **Office**—550 Fifth Ave., New York 36, N. Y. **Underwriter** — Stuart Securities Corp., New York.

Nassau Fund, Princeton, N. J.
May 8 filed 250,000 shares of common stock. **Price**—At market. **Proceeds**—For investment. **Office**—10 Nassau St., Princeton, N. J. **Investment Advisor** — Harland W. Hoisington, Inc., same address.

National Lithium Corp., New York
Feb. 19 filed 3,120,000 shares of common stock (par one cent). **Price**—$1.25 per share. **Proceeds**—For acquisition of properties; for ore testing program; for assessment work on the Yellowknife properties; and for cost of a concentration plant, mining equipment, etc. **Underwriter**—Gearhart & Otis, Inc., New York. Statement expected to be amended.

National Tea Co., Chicago, Ill.
June 12 filed 48,720 shares of common stock (par $5) to be offered in exchange for common stock of Tolerton & Warfield Co. of Sioux City, Iowa, on the basis of 7½ shares of National Tea for each Tolerton share. The offer will expire on July 22, 1957, unless extended.

National Telefilm Associates, Inc. (7/2-3)
June 11 filed $5,000,000 of 6% sinking fund subordinated notes due June 15, 1962, with common stock purchase warrants attached; and 350,000 shares of common stock (par 10 cents). Each $500 note will carry a warrant to purchase 50 shares of common stock. **Price** — For notes, 100% and accrued interest; for stock, to be supplied by amendment. **Proceeds**—To retire $5,000,000 of current indebtedness; and for working capital and general corporate purposes. **Underwriters** — Cruttenden, Podesta & Co., Chicago, Ill.; Cantor, Fitzgerald & Co., Beverly Hills, Calif.; and Westheimer & Co., Cincinnati, Ohio.

New Brunswick (Province of)
Dec. 14, 1956, filed $12,000,000 of 25-year sinking fund debentures due Jan. 1, 1982. **Price**—To be supplied by amendment. **Proceeds**—To be advanced to The New Brunswick Electric Power Commission to repay bank loans. **Underwriter**—Halsey, Stuart & Co. Inc., New York and Chicago. **Offering**—Indefinitely postponed.

Northwest Telephone Co.
March 28 (letter of notification) 7,200 shares of common stock (par $5) to be offered first to stockholders on a preemptive basis; unsubscribed to employees; and remainder to public. **Price**—$16 per share. **Proceeds**—For construction, payment of current liabilities and working capital. **Office**—1313 Sixth St., Redmond, Ore. **Underwriter**—None.

Oil Ventures, Inc.
May 13 (letter of notification) 2,500,000 shares of common stock. **Price**—At par ($10 cents per share). **Proceeds**—For development of oil and gas properties. **Office**—725 Judge Bldg., Salt Lake City, Utah. **Underwriter**—Mid America Securities, Inc. of Utah, Salt Lake City, Utah.

Outboard Marine Corp.
May 24 filed 486,058 shares of common stock (par 30 cents) being offered for subscription by common stockholders of record June 14, 1957 on the basis of one new share for each 15 shares held; rights to expire on July 1, 1957. **Price**—$27 per share. **Proceeds**—For capital expenditures. **Underwriter**—Morgan Stanley & Co., New York.

Oxford County Telephone & Telegraph Co.
April 18 (letter of notification) 6,000 shares of common stock to be offered to present stockholders on the basis of preemptive rights, thereafter to the public. **Price**—At par ($5 per share). **Proceeds** — For converting exchange at Turner from a manual service to a dial automatic exchange. **Office**—Buckfield, Me. **Underwriter**—None.

● Pacific Natural Gas Co., Longview, Wash.
May 28 filed $1,000,000 of subordinate interim notes due 1963 and 20,000 shares of common stock (par $1) to be offered in units of a $50 note and one common share. **Price** — To be supplied by amendment. **Proceeds** — To repay short-term debt and other current liabilities and for construction program. **Underwriters**—White, Weld & Co., New York; Wm. P. Harper & Son & Co., Seattle, Wash. **Offering**—Expected sometime in first half of July.

● Pacific Power & Light Co. (7/10)
June 4 filed 376,600 shares of common stock (par $6.50) to be offered for subscription by common stockholders of record July 10, 1957 on the basis of one new share for each 10 shares held; rights to expire on Aug. 1. Subscription warrants are expected to be mailed on July 12. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Lehman Brothers, Eastman Dillion, Union Securities & Co., Bear, Stearns & Co. and Dean Witter & Co. (jointly); Kidder, Peabody & Co.; Ladenburg, Thalmann & Co. **Bids** — Expected to be received up to 11 a.m. (EDT) on July 10.

Pancal Oil Corp.
May 13 (letter of notification) 299,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For oil drilling expenses. **Office**—27 William St., New York, N. Y. **Underwriter** — Bush Securities Co., New York, N. Y.

Paramount Enterprises, Inc.
June 3 (letter of notification) 120,000 shares of common stock (par 10 cents). **Price**—$2.50 per share. **Proceeds**—For payment of loans and working capital. **Business**—Phonograph records. **Office** — 383 Concord Ave., New York, N. Y. **Underwriter**—Amos Treat & Co., Inc., New York.

Pepsi-Cola Mokan Bottlers, Inc.
April 11 (letter of notification) 60,000 shares of common stock (par 50 cents). **Price**—$5 per share. **Proceeds**—For general funds of the company. **Office**—207 West 8th St., Coffeyville, Kan. **Underwriter** — G. F. Church & Co., St. Louis, Mo.

● Philip Morris, Inc., New York
May 28 filed 385,000 shares of common stock (par $5) being offered in exchange for common stock of Milprint, Inc., Milwaukee, Wis., on a share-for-share basis. The offer will become effective upon deposit of at least 346,500 Milprint common shares. The offer will expire on July 19. **Underwriter** — None. Lehman Brothers acted as intermediary in negotiating the transaction.

● Phoenix Investment Co., Atlanta, Ga. (7/8-12)
June 14 filed 380,000 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—To be loaned to Peachtree Road Development Corp. and to Mimosa Corp. in order to permit these companies to pay the balance of contract prices and closing costs incident to the purchase of certain parcels of land. **Underwriters**—Clement A. Evans & Co., Inc., and The Robinson-Humphrey Co., Inc., both of Atlanta, Ga.

Plymouth Fund, Inc., Miami, Fla.
Feb. 5 filed 500,000 shares of capital stock (par $1). **Price**—At market. **Proceeds**—For investment. **Underwriter** — Plymouth Bond & Share Corp., Miami, Fla. Joseph A. Rayvis, also of Miami, is President.

★ Polymer Corp., Reading, Pa. (7/15-16)
June 20 filed 70,000 shares of common stock, class A (par $1). **Price** — To be supplied by amendment. **Proceeds**—To retire bank loans, to purchase equipment, to advance additional working capital to company's wholly-owned English subsidiary, to acquire additional land and construct a new research development laboratory, and for other real estate purchases and working capital. **Underwriter**—A. G. Edwards & Sons, St. Louis, Mo.

Portland Gas & Coke Co.
May 22 filed 226,194 shares of common stock (par $9.50) being offered for subscription by common stockholders of record June 10, 1957 on the basis of one new share for each five shares held; rights to expire on July 1. **Price** — $16.25 per share. **Proceeds** — For construction program. **Underwriter**—Lehman Brothers, New York.

● Precision Transformer Corp. (7/1-3)
June 12 (letter of notification) $294,000 of 6% 10-year convertible debentures due June 1, 1967 and 29,400 shares of common stock (par 20 cents) to be offered in units of $500 of debentures and 50 shares of stock at $510 per unit, or $100 of debentures and 10 shares of stock at $102 per unit. **Proceeds** — To repay outstanding indebtedness and for general corporate purposes. **Office**—2218 W. Lake St., Chicago, Ill. **Underwriter**—John R. Boland & Co., Inc., New York.

● Prudential Investment Corp. of South Carolina
April 30 filed 209,612 shares of common stock. **Price**—$1.20 per share. **Proceeds** — For general corporate purposes. **Underwriter** — None. J C Todd of Columbia, S. C., is President and Board Chairman. Statement effective June 19.

Public Service Electric & Gas Co.
May 29 filed 250,000 shares of cumulative preferred stock (par $100). **Price**—To be supplied by amendment. **Proceeds**—For construction program. **Underwriter**—Merrill Lynch, Pierce, Fenner & Beane, New York. **Offering**—Temporarily delayed.

● Pyramid Productions, Inc., New York
Sept. 27, 1956, filed 220,000 shares of com. stock (par $1) of which 200,000 shares are to be offered to public and 20,000 shares issued to underwriter. **Price**—$5 per share. **Proceeds**—To retire $125,000 of outstanding 15% debentures as well as a $173,180 debt to Trans-Union Productions, Inc.; and for working capital. **Business**—Television releases. **Underwriter**—F. L. Aaron & Co., New York. **Offering**—Date indefinite.

Resource Fund, Inc., New York
March 29 filed 100,000 shares of common stock (par $1). Price—At market. **Proceeds**—For investment. **Under-**

writer—None. D. John Heyman of New York is President. **Investment Advisor**—Resource Fund Management Co., Inc., 60 Broadway, New York, N. Y.

★ Rio Grande Mining Co.
June 18 (letter of notification) 230,000 shares of common stock (par $1). **Price**—$1.25 per share. **Proceeds**—For mining expenses. **Address** — Box 968, Taos, N. M. **Underwriter**—None.

Rochester Gas & Electric Corp. (7/2)
May 29 filed $15,000,000 of first mortgage bonds, series R, due 1987. **Proceeds**—To discharge short-term obligations and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey Stuart & Co. Inc.; Shields & Co.; The First Boston Corp.; Kidder, Peabody & Co.; White, Weld & Co. (jointly); Salomon Bros. & Hutzler; Blyth & Co., Inc.; Eastman Dillon, Union Securities & Co. and Equitable Securities Corp. (jointly). **Bids**—To be received up to 11 a.m. (EDT) on July 2.

Rota Parking, Inc.
May 13 (letter of notification) 275,000 shares of common stock to be offered to stockholders and the public. **Price**—At par $1 per share). **Proceeds**—For expenses incident to development of a new concept of mechanical parking. **Office**—515 Maritime Bldg., 911 Western Ave., Seattle, Wash. **Underwriter**—None.

St. Louis Insurance Corp., St. Louis, Mo.
March 27 filed 1,250 shares of class C cumulative preferred stock (par $57). **Price**—$97 per share. **Proceeds**—To R. M. Realty Co., who is the selling stockholder **Underwriter** — Yates, Heitner & Woods, St. Louis, Mo. **Offering**—Expected in the near future.

★ St. Paul Fire & Marine Insurance Co.
June 25 filed 417,000 shares of capital stock (par $6.25) to be offered in exchange for the outstanding capital stock of Western Life Insurance Co., Helena, Mont., at rate of 1.39 shares of St. Paul stock for each share of Western stock. The offer is condiitoned upon acceptance by holders of not less than 240,000 shares (80%) of the outstanding Western stock.

St. Regis Paper Co.
April 1 filed 850,000 shares of common stock (par $5) to be offered in exchange for common stock of St. Paul & Tacoma Lumber Co. on the basis of 56⅔ shares of St. Regis stock for each share of Lumber company stock. The offer will be declared effective if 95% of the latter stock is deposited for exchange (and may be declared effective at option of St. Regis, if not less than 80% of the stock is deposited).

★ Shasta Minerals & Chemical Co.
June 18 (letter of notification) 120,000 shares of common stock (par 20 cents). **Price**—$1.50 per share. **Proceeds**—For mining expenses. **Office**—612 Dooly Bldg., Salt Lake City, Utah. **Underwriter**—None.

Sire Plan, Inc., New York
May 14 filed $1,000,000 of nine-month 8% fund notes. **Price**—At par (in denominations of $100 each). **Proceeds**—For working capital and other corporate purposes. **Underwriter**—Sire Plan Portfolios, Inc., New York.

● Sonoco Products Co., Hartsville, S. C. (7/1)
June 10 filed 60,000 shares of common stock (par $5) to be offered for subscription by common stockholders of record June 10, 1957; rights to expire on July 10. Of the unsubscribed stock, certain employees may subscribe for up to 10,000 shares. **Price**—To stockholders and employees, $25.75 per share; to public, $26.75 per share. **Proceeds**—For working capital. **Underwriters**—R. S. Dickson & Co., Inc., Charlotte, N. C.; and G. H. Crawford Co., Inc., Columbia, S. C.

Southeastern Fund, Columbia, S. C.
June 3 filed $2,000,000 of 6½% sinking fund subordinated debentures due June 15, 1972, of which $1,500,000 principal amount are to be offered for subscription by stockholders; the remaining $500,000 principal amount, plus any unsubscribed debentures, to be publicly offered. Rights will expire on July 15. **Price**—To stockholders, 95% of principal amount; and to public, at 100%. **Proceeds**—For working capital. **Underwriters**—Smith, Clanton & Co., Greensboro, N. C.; Powell & Co., Fayetteville, N. C.; and Frank S. Smith & Co., Inc., Columbia, S. C. **Offering**—Expected this week.

Southern California Edison Co. (7/1)
June 10 filed $40,000,000 of first and refunding mortgage bonds, series I, due July 1, 1982. **Proceeds** — To retire bank loans and for construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; The First Boston Corp. and Dean Witter & Co. (jointly); Kuhn, Loeb & Co. **Bids**—Expected to be received up to 9 a.m. (PDT) on July 1 at 601 West 5th St., Los Angeles, Calif.

Steadman Investment Fund, Inc., East Orange, N. J.
May 10 filed 100,000 shares of common stock (par $1) to be offered in connection with merger into this Fund of Fund of Fortune, Inc., Fortune II, Inc., Fortune III, Inc. and Fortune IV, Inc. **Underwriter** — William Allen Steadman & Co., East Orange, N. J. **Offering**—Expected early in July

Strato-Missiles, Inc.
June 7 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—To develop Hatfield propulsion system, and other projects; for purchase of additional facilities and for working capital. **Business**—To produce machinery and equipment. **Office**—70 East 45th St., New York, N. Y. **Underwriter**—Kesselman & Co., Inc., New York.

● Summers Gyroscope Co.
May 20 filed 250,080 shares of common stock (par $1) to be offered for subscription by common stockholders of record May 31, 1957 on the basis of two new shares for each five shares held; rights to expire on July 3. **Price**—$3 per share. **Proceeds**—For working capital and general corporate purposes. **Office**—Santa Monica, Calif. **Underwriter**—Daniel Reeves & Co., Beverly Hills, Calif. **Offering**—Expected in near future.

★ Systematic Parking Co.
June 17 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For general working capital. **Office**—608 Fidelity Bldg., Spokane, Wash. **Underwriter**—None.

★ Tax Exempt Bond Fund, Inc., Washington, D. C.
June 20 filed 40,000 shares of common stock. **Price**—$25 per share. **Proceeds** — For investment. **Underwriter**—Equitable Securities Corp., Nashville, Tenn.

★ Telestudios, Inc.
June 14 (letter of notification) 180,000 shares of common stock (par 10 cents). **Price**—$1.50 per share. **Proceeds** — To purchase and install two Ampex videotape recorders, for equipment and working capital. **Office**—1481 Broadway, New York City. **Underwriter**—Joseph Mandell Co., New York.

Texam Oil Corp., San Antonio, Texas
May 29 filed 300,000 shares of common stock (par $1), to be offered for subscription by common stockholders of record March 15, 1957 on a basis of two new shares for each share held; rights to expire on July 20. **Price**—To be supplied by amendment. **Proceeds**—To repay indebtedness, for acquisition and exploration of oil and gas leases, for drilling and completion of wells, and for other corporate purposes. **Underwriter**—None.

● Texas Electric Service Co.
June 14 filed 100,000 shares of cumulative preferred stock (no par). **Price**—To be supplied by amendment. **Proceeds**—About $10,000,000 to be used for construction program. **Underwriters**—Kidder, Peabody & Co.; Eastman Dillon, Union Securities & Co. and Merrill Lynch, Pierce, Fenner & Beane; all of New York. Statement withdrawn.

● Texas Electric Service Co. (7/15)
June 14 filed $16,000,000 of first mortgage bonds due July 1, 1987. **Proceeds**—To repay advances from Texas Utilities Co., the parent, and for construction program. **Underwriter**—For any bonds to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Hemphill, Noyes & Co. and Drexel & Co. (jointly); The First Boston Corp.; Eastman Dillon, Union Securities & Co.; Kuhn, Loeb & Co., Blyth & Co., Inc., and Lehman Brothers (jointly); Harriman Ripley & Co. Inc. and Stone & Webster Securities Corp. (jointly). **Bids**—Expected to be received up to noon (EDT) on July 15 at Room 2033 Two Rector St., New York, N. Y.

Texas Glass Manufacturing Corp., Houston, Tex.
May 28 filed 3,000,000 shares of common stock (par $1), of which 2,700,000 shares are to be offered to public at $2 per share. The remaining 300,000 shares are under option to original stockholders at $1 per share. **Proceeds**—For expansion and working capital. **Underwriter**—T. J. Campbell Investment Co., Inc., Houston, Texas.

★ Thom Industries, Inc., Louisville, Ky.
June 25 filed 30,886 shares of class A common stock (par $1) and 1,000 shares of class B common stock (par $10), of which 25,886 class A shares and all of the class B shares are to be offered to public and 5,000 class A shares to employees of company and its subsidiaries. **Price**—To be supplied by amendment. **Proceeds** — To selling stockholders. **Underwriters**—Kidder, Peabody & Co., New York; and McCormick & Co., Chicago, Ill.

Timken Roller Bearing Co., Canton, O.
May 21 filed 484,276 shares of common stock (no par) being offered for subscription by common stockholders of record June 12 on the basis of one new share for each 10 shares held; rights to expire July 1. **Price**—$40 per share. **Proceeds**—For capital improvement and working capital. **Underwriter**—Hornblower & Weeks, New York.

Titanic Oil Co.
May 6 (letter of notification) 6,000,000 shares of common stock (par one cent). **Price**—Five cents per share. **Proceeds**—For exploration of oil properties. **Office** — 704 First National Bank Bldg., Denver, Colo. **Underwriter**—Wayne Jewell Co., Denver, Colo.

★ Tracerlab, Inc., Waltham, Mass. (7/17)
June 19 filed 200,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To reduce trade and other current indebtedness of company and its subsidiaries and for general corporate purposes. **Underwriter** — Lee Higginson Corp., Boston and New York.

Trans World Airlines, Inc., New York
May 28 filed 3,337,036 shares of common stock (par $5) being offered for subscription by common stockholders of record June 17, 1957 at the rate of one new share for each share held; rights to expire on July 8. **Price**—$13 per share. **Proceeds**—To pay for aircraft and other equipment. **Underwriter**—None. Hughes Tool Co., the holder of 2,476,142 shares of TWA common stock may purchase any unsubscribed shares.

Tripac Engineering Corp.
Feb 27 (letter of notification) 100,000 shares of class A common stock (par 10 cents). **Price**—$1.50 per share **Proceeds**—For working capital; machine tools; equipment and proprietary development **Office** — 4932 St Elmo Ave., Bethesda 14. Md **Underwriter**—Whitney & Co Inc., Washington, D C

U. S. Semiconductor Products, Inc.
April 11 filed 500,000 shares of common stock (par $1). **Price** — To be supplied by amendment. **Proceeds** — For purchase of new materials and working capital. **Office** — Phoenix, Ariz. **Underwriter** — Jonathon & Co., Los Angeles, Calif.

United Utilities, Inc., Abilene, Kansas
April 25 filed 105,000 shares of common stock (par $10) being offered in exchange for stock of Oregon-Washington Telephone Co. on the basis of 2½ shares for each Oregon-Washington common share and five shares for each Oregon-Washington preferred share. This offer is subject to acceptance by not less than 80% of each class of stock and will expire on July 1. **Dealer-Manager**—Zilka, Smither & Co., Inc., Portland, Ore.

Uranium Corp. of America, Portland, Ore.
April 30 filed 1,250,000 shares of common stock (par 10 cents). **Price**—To be supplied by amendment (expected to be $1 per share). **Proceeds**—For exploration purposes. **Underwriter**—To be named by amendment. Graham Albert Griswold of Portland, Ore., is President.

Washington Water Power Co. (7/10)
June 11 filed $30,000,000 of first mortgage bonds due 1987. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans. **Underwriters**—Kidder, Peabody & Co.; Blyth & Co., Inc.; White, Weld & Co. and Laurence M. Marks & Co., all of New York.

West Penn Power Co. (7/10)
June 3 filed $20,000,000 of first mortgage bonds, series Q, due July 1, 1987. **Proceeds**—Together with proceeds from sale of about $12,400,000 of common stock in March and April, 1957, to carry out construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Eastman Dillon, Union Securities & Co.; Kidder, Peabody & Co. and White, Weld & Co. (jointly); Lehman Brothers; The First Boston Corp.; W. C. Langley & Co.; Harriman Ripley & Co. Inc. **Bids**—To be received up to 11 p.m. (EDT) on July 10 at office of West Penn Electric Co., 50 Broad Street, New York, N. Y.

Western Hemisphere Petroleum Corp.
June 19 filed 400,000 shares of common stock (par 50c). **Price**—Expected to be around $5 per share. **Proceeds**—For working capital and general corporate purposes. **Underwriters** — Sanders & Co. and Rauscher, Pierce & Co., Inc., both of Dallas, Tex.

★ Western Hemisphere Petroleum Corp. (7/15-19)
June 20 filed 400,000 shares of common stock (par 50 cents). **Price**—To be supplied by amendment. **Proceeds**—For oil exploration and development in Canada, Cuba, Haiti, Honduras and other countries in the Western Hemisphere, and barite exploration in Columbia. **Office**—Tulsa, Okla. **Underwriters**—Sanders & Co. and Rauscher, Pierce & Co., Inc., both of Dallas, Tex.

Western Printing & Lithographing Co.
May 15 filed $3,037,640 of 5% serial notes due Dec. 1, 1958 to 1967, inclusive being offered, together with cash, in exchange for 151,882 shares of capital stock of Kable Printing Co. (Ill.) on the basis of $20 of notes and $6 in cash for each share held. This offer which is to expire July 12, is conditioned upon the acceptance by holders of at least 130,000 shares of Kable stock (about 85%). Holders of Kable stock who own less than 51 shares will receive cash at the rate of $26 per share. **Office**—Racine, Wis. — **Underwriter** — None. Statement effective June 10.

Wisconsin Telephone Co., Milwaukee, Wis. (7/9)
June 13 filed $30,000,000 of 35-year debentures due July 1, 1992. **Proceeds**—To repay approximately $28,500,000 of advances from American Telephone & Telegraph Co., the parent, and for general corporate purposes. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp. **Bids**—Expected to be received up to 11 a.m. (EDT) on July 9 at Room 2315, 195 Broadway, New York N. Y.

Woodland Oil & Gas Co., Inc., New York
May 28 filed 700,000 shares of common stock (par 10 cents), of which 600,000 shares are to be offered for account of company and 100,000 shares for account of a selling stockholder, Ralph J. Ursillo, General Manager of the company. **Price**—$1.50 per share. **Proceeds**—To drill and complete oil wells on the company's Pennsylvania and Kentucky properties and for two "deep tests" on its Pennsylvania property, as well as for working capital. **Underwriter**—Name to be supplied by amendment.

Prospective Offerings

Airborne Instruments Laboratory, Inc.
May 16 it was announced company plans to issue and sell $2,000,000 of 15-year 5¼% unsecured subordinated convertible debentures. American Research & Development Corp., owner of 31,500 shares or 15.8% of Airborne's stock, propose to purchase $320,000 of the new debentures. **Proceeds**—Together with $4,000,000 to be borrowed from institutional investors, for a building and expansion program.

★ All States Freight, Incorporated, Akron, O.
June 21 it was announced company plans to offer publicly $2,250,000 of 15-year 6% debentures (with common stock warrants). **Proceeds**—Together with funds from private sale of 425,000 shares of common stock at $4 per share to pay part of cost of purchase of an operating carrier truck line. **Underwriter**—Fulton, Reid & Co., Inc., Cleveland, Ohio.

Allied Paper Corp. (7/15-19)
June 10 it was reported company now plans to issue and sell $3,500,000 of subordinated convertible debentures. **Proceeds**—To build new mill at Kalamazoo, Mich. **Under-**

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writer — Glore, Forgan & Co., Chicago, Ill., and New York, N. Y. **Offering**—Expected about the middle of July.

Aluminum Specialty Co.
March 18 it was announced company plans to issue and sell 15,000 shares of $1.20 cumulative convertible preferred stock series A (par $20). **Underwriters**—Emch & Co. and The Marshall Co., both of Milwaukee, Wis.

Atlantic City Electric Co.
April 9, Bayard L. England, President, announced that later this year the company will probably issue about $5,000,000 of convertible debentures. **Proceeds**—For construction program. **Underwriter**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co., American Securities Corp. and Wood, Struthers & Co. (jointly); White, Weld & Co. and Shields & Co. (jointly); The First Boston Corp. and Drexel & Co. (jointly); Eastman Dillon, Union Securities & Co. and Smith, Barney & Co. (jointly); Lee Higginson Corp.; Blyth & Co., Inc.

Bell Telephone Co. of Pennsylvania (7/30)
April 25 it was announced company plans to issue and sell $50,000,000 of new debentures due 1997. **Proceeds**—To redeem $50,000,000 of 5% series C bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp.; White, Weld & Co. and Eastman Dillon, Union Securities & Co. (jointly). **Bids**—Expected to be received up to 11 a.m. (EDT) on July 30.

Byers (A. M.) Co.
May 7 stockholders approved a proposal to authorize a new class of 100,000 shares of cumulative preference stock (par $100) and to increase the authorized outstanding indebtedness to $15,000,000, in connection with its proposed recapitalization plan. There are no specific objectives involved. **Control**—Acquired by General Tire & Rubber Co. in 1956. **Underwriter**—Dillon, Read & Co., Inc., New York, handled previous preferred stock financing, while Kidder, Peabody & Co. underwrote General Tire & Rubber Co. financing.

Carter Products, Inc.
June 17 it was reported early registration is expected of some common stock recently acquired by F. Eberstadt & Co. and Lazard, Freres & Co. **Underwriter**—Morgan Stanley & Co., New York.

Central Hudson Gas & Electric Corp.
April 22 it was announced company plans to issue and sell this year about $7,500,000 of unsecured debentures. **Proceeds**—To finance construction program. **Underwriter**—Probably Kidder, Peabody & Co., New York.

Central Illinois Public Service Co.
April 9 it was reported company plans to issue and sell $10,000,000 of 1st mtge. bonds. **Proceeds**—To reduce bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Equitable Securities Corp.; Eastman Dillon, Union Securities & Co.; Blyth & Co., Inc.; Kidder, Peabody & Co.; and Merrill Lynch, Pierce, Fenner & Beane (jointly); Kuhn, Loeb & Co. and A. C. Allyn & Co., Inc. (jointly). **Offering**—Expected late in 1957.

Central Louisiana Electric Co., Inc.
April 8 it was announced company plans to issue and sell late this year $6,000,000 of first mortgage bonds. **Proceeds** — Together with $4,500,000 of 4⅜% 12-year convertible debentures placed privately, to be used to repay bank loans and for construction program. **Underwriters**—Kidder, Peabody & Co. and White, Weld & Co. about the middle of last year arranged the private placement of an issue of $5,000,000 series G first mortgage bonds.

Chesapeake Industries, Inc.
June 3 it was reported company plans early registration of $3,500,000 of 5½% collateral trust sinking fund bonds due 1972 and 350,000 shares of common stock. Each $10 of bonds will carry a warrant to purchase one share of common stock. **Underwriter** — Van Alstyne, Noel & Co., New York.

Chicago & North Western Ry. (6/27)
Bids will be received by the company up to noon (CDT) on June 27 for the purchase from it of $2,250,000 equipment trust certificates to mature annually from July 15, 1958 to 1972, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Chicago, Rock Island & Pacific RR.
Bids are expected to be received by the company in July for the purchase from it of about $3,000,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Cleveland Electric Illuminating Co.
Nov. 12 it was reported company plans to issue and sell $25,000,000 of first mortgage bonds in the Summer of 1957. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Blyth & Co., Inc.; Dillon, Read & Co. Inc.; Blair & Co. Inc., and Baxter, Williams & Co. (jointly); Glore, Forgan & Co.; White, Weld & Co.

Coastal Transmission Corp.
March 6 it was reported the company plans to offer publicly $7,800,000 of interim notes and 678,900 shares of $1 par stock in units. (Common stock not sold in units would be purchased by Delhi-Taylor Oil Corp., or its stockholders at an average price of $10 per share.) **Proceeds**—Together with funds from private sale of $40,000,000, for construction program. **Underwriters**—Lehman Brothers and Allen & Co., both of New York.

Columbia Gas System, Inc.
June 6, company announced that it plans the issuance and sale of $25,000,000 debentures later in 1957. **Proceeds**—To help finance 1957 construction program, which is expected to cost approximately $84,000,000. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly). **Bids**—Expected to be received in September.

Columbus & Southern Ohio Electric Co.
Feb. 21 it was reported that company plans to issue and sell in the Fall $8,000,000 of cumulative preferred stock. **Underwriter**—Dillon, Read & Co. Inc., New York.

Commerce Oil & Refining Co.
June 10 it was reported this company plans to raise about $64,000,000 to finance construction on a proposed refinery and for other corporate purposes. The major portion will consist of first mortgage bonds which would be placed privately, and the remainder will include debentures and common stock (attached or in units). **Underwriter**—Lehman Brothers, New York. **Offering**—Expected in August.

Connecticut Light & Power Co.
Feb. 18, it was reported company plans to sell not less than $20,000,000 of first mortgage bonds, possibly this Fall, depending upon market conditions. **Proceeds**—For construction program. **Underwriter** — Putnam & Co., Hartford, Conn.; Chas. W. Scranton & Co., New Haven, Conn.; and Estabrook & Co., Boston, Mass.

Consolidated Edison Co. of New York, Inc.
May 20, H. R. Searing, Chairman, said the company will probably sell a new issue of first and refunding mortgage bonds later on this year. [On Oct. 24, 1956, $40,000,000 of these bonds, series M, due 1986, were offered and sold.] **Proceeds**—From this issue and from bank loans, to pay part of the cost of the company's 1957 construction program which is expected to total about $146,000,000. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp.

Consolidated Natural Gas Co.
May 9 it was announced company plans to issue and sell $25,000,000 25-year debentures in October in addition to $25,000,000 sold on June 11. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Paine, Webber, Jackson and Curtis (jointly); Morgan, Stanley & Co. and the First Boston Corp. (jointly).

Consumers Power Co.
April 22 it was reported company plans to issue and sell $40,000,000 of first mortgage bonds this Fall. **Proceeds**—To repay bank loans and for construction program. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Shields & Co. (jointly); Morgan Stanley & Co.; The First Boston Corp. and Harriman Ripley & Co. Inc. (jointly).

Detroit Edison Co.
May 6 it was announced company plans to sell in 1957 about $60,000,000 of mortgage bonds. **Proceeds** — For construction program (estimated to cost about $89,000,000 this year). **Underwriter**—To be determined by competitive bidding. Probable bidders: The First Boston Corp. and Halsey, Stuart & Co. Inc. (jointly); Coffin & Burr, Inc., and Spencer Trask & Co. (jointly). **Bids** — Now expected to be received in latter part of June.

Duke Power Co. (9/10)
April 22 it was reported company plans to issue and sell $50,000,000 of first refunding mortgage bonds. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Morgan Stanley & Co.; Stone & Webster Securities Corp. **Bids**—Tentatively scheduled to be received on Sept. 10.

Eastern Gas & Fuel Associates
April 3 it was announced company may need additional capital of between $25,000,000 and $35,000,000 during the next two years. **Underwriter**—For any bonds to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; White, Weld & Co., and Kidder, Peabody & Co. (jointly).

Eastern Utilities Associates
April 15 it was announced company proposes to issue and sell $3,750,000 of 25-year collateral trust bonds. **Proceeds** — For advances to Blackstone Valley Gas & Electric Co., a subsidiary. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; Blyth & Co., Inc.; White, Weld & Co.; Stone & Webster Securities Corp. and Estabrook & Co. (jointly).

● First National City Bank of New York (6/28)
June 25 this bank offered its stockholders the right to subscribe for 2,000,000 additional shares of capital stock (par $20) on the basis of one new share for each five shares held as of June 24, 1957; rights to expire on July 22, 1957. Warrants will be issued and mailed on June 28. **Price**—$60 per share. **Proceeds**—To increase capital and surplus. **Underwriter** — The First Boston Corp., New York.

General Telephone Co. of California
May 3 it was announced application has been made to the California P. U. Commission for authority to issue and sell 500,000 shares of 5% cumulative preferred stock [illegible] -For construction program. **Underwriters**—Paine, Webber, Jackson & Curtis, Boston, Mass.; and Mitchum, Jones & Templeton, Los Angeles, Calif.

[illegible] Rubber Co.
May 10 it was reported that this company is considering an issue of convertible subordinated debentures, probably around $15,000,000, which may first be offered for subscription by common stockholders. **Proceeds**—For working capital. **Underwriter**—Kidder, Peabody & Co., New York.

★ Goodman Manufacturing Co., Chicago, Ill.
June 21 it was announced company plans to issue and sell 150,000 shares of capital stock (par $16.66⅔), following approval on Aug. 5 of 3-for-1 split up of present $50 par stock. **Proceeds**—For general corporate purposes.

Great Northern Ry. (7/17)
Bids are expected by the company to be received on July 17 for the purchase from it of $4,965,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Gulf Interstate Gas Co.
May 3 it was announced company plans to issue some additional first mortgage bonds, the amount of which has not yet been determined. **Proceeds** — For construction program. **Underwriters**—Carl M. Loeb, Rhoades & Co. and Merrill Lynch, Pierce, Fenner & Beane.

Gulf States Utilities Co.
March 4 it was reported company plans to issue and sell $16,000,000 first mortgage bonds in November. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner and Beane and White, Weld & Co. (jointly); Salomon Bros. & Hutzler and Eastman Dillon, Union Securities & Co. (jointly); Kuhn, Loeb & Co. and A. C. Allyn & Co. Inc. (jointly); Stone & Webster Securities Corp.; Lee Higginson Corp.

Gulf States Utilities Co.
April 8 it was reported company tentatively plans to issue and sell some preferred stock this year. **Proceeds**—To finance construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Stone & Webster Securities Corp.; Lehman Brothers and Equitable Securities Corp. (jointly); Lee Higginson Corp. and Carl M. Loeb, Rhoades & Co. (jointly); Kuhn, Loeb & Co.; Glore, Forgan & Co. and W. C. Langley & Co. (jointly).

Hanna Steel Co., Birmingham, Ala.
April 8 it was reported company plans to issue and sell 120,000 shares of class A common stock. **Price**—$5 per share. **Underwriters**—Cruttenden, Podesta & Co., Chicago, Ill.; and Odess, Martin & Herzberg, Inc., Birmingham, Ala. **Offering**—Expected in June.

Houston Lighting & Power Co.
Feb. 13 it was reported company may offer late this Fall approximately $25,000,000 first mortgage bonds, but exact amount, timing, etc. has not yet been determined. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; Lehman Brothers, Eastman Dillon, Union Securities & Co. and Salomon Bros. & Hutzler (jointly); Lazard Freres & Co. and Blyth & Co., Inc. (jointly); Kidder, Peabody & Co.

Idaho Power Co.
May 16 it was reported company plans to issue and sell around 200,000 to 225,000 shares of common stock in the Fall in addition to between $10,000,000 to $15,000,000 first mortgage bonds after Nov. 1. **Underwriter**—To be determined by competitive bidding. probable bidders: (1) For bonds—Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler and Eastman Dillon, Union Securities & Co. (jointly); Blyth & Co. Inc., Lazard Freres & Co. and The First Boston Corp. (jointly); Kidder, Peabody & Co. and White, Weld & Co. (jointly); Equitable Securities Corp. (2) For stock—Kidder, Peabody & Co.; Blyth & Co., Inc., and Lazard Freres & Co. (jointly).

Indiana & Michigan Electric Co. (10/15)
May 20 it was reported company plans to issue and sell $20,000,000 of first mortgage bonds due 1987. **Proceeds**—For reduction of bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Harriman Ripley & Co. Inc.; The First Boston Corp.; Eastman Dillon, Union Securities & Co. **Bids**—Tentatively expected to be received up to 11 a.m. (EST) on Oct. 15.

Indianapolis Power & Light Co.
Nov. 21, 1956, H. T. Prichard, Pres., announced that present plans contemplate an issue of $6,000,000 of preferred stock some time in 1957 if market conditions make it feasible, and an issue of $8,000,000 in bonds in 1958. Temporary bank loans are available and probably will be utilized, during at least part of 1957. Additional securities will need to be sold in 1959 and 1960, amounting to approximately $14,000,000. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—May be Lehman Brothers, Goldman, Sachs & Co. and The First Boston Corp., who underwrote last equity financing.

Iowa Southern Utilities Co.
April 2 it was announced company plans to issue and sell $5,000,000 of first mortgage bonds later this year. **Proceeds** — To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; White, Weld & Co.; Lehman Brothers, and Bear, Stearns & Co. (jointly) Equitable Securities Corp. and Salomon Bros. & Hutzler (jointly); The First Boston Corp.; Dean Witter & Co.

Jefferson Lake Sulphur Co.
Dec. 27, 1956, Eugene H. Walte, Jr., announced company plans in the near future to sell an issue of convertible debentures. **Proceeds**—For expansion program.

● Lincoln National Bank & Trust Co. of Fort Wayne, Ind.
June 19, the bank offered to its stockholders of record June 18, 1957 the right to subscribe on or before July 9,

1957 for 25,000 additional shares of capital stock (par $25) on the basis of one new share for each four shares held; rights will expire on July 9. **Price**—$67 per share. **Underwriter**—Blyth & Co., Inc., Indianapolis, Ind.

Long Island Lighting Co.
April 16 it was announced company plans to sell later this year $40,000,000 of rist mortgage bonds, series J. **Proceeds**—To refund $12,000,000 of series C bonds due Jan. 1, 1958 and for construction program. **Underwriter**—To be determined by competitive bidding. **Probable** bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Blyth & Co. Inc. (jointly); W. C. Langley & Co. and Smith, Barney & Co. (jointly).

Louisville Gas & Electric Co. (9/4)
May 14 it was reported company plans to issue and sell $15,000,000 of first mortgage bonds. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and American Securities Corp. (jointly); Kidder, Peabody & Co. and Goldman, Sachs & Co. (jointly); Harriman Ripley & Co. Inc.; Lehman Brothers and Blyth & Co., Inc. (jointly); The First Boston Corp.; Eastman Dillon, Union Securities & Co. and White, Weld & Co. (jointly). **Bids**—Tentatively scheduled to be received on Sept. 4.

Mangel Stores Corp.
June 19 it was reported early registration statement is expected of an issue of $3,000,000 of convertible debentures due 1972. **Underwriter**—Lee Higginson Corp., New York.

★ Manufacturers National Bank of Detroit (7/10)
June 16 it was announced stockholders on July 9 will vote on approving a proposed offering to stockholders of 156,607 additional shares of capital stock (par $10) on the basis of one new share for each seven shares held as of July 10; rights to expire on July 26. **Price** — To be named later. **Proceeds**—To increase capital and surplus. **Underwriters** — Blyth & Co., Inc.; First of Michigan Corp.; and Watling, Lerchen & Co.

Middle South Utilities, Inc.
May 8 it was announced company may consider an offering of new common stock within the next year or so. **Proceeds**—About $19,000,000, for investment in common stocks of the System operating companies during the three-year period 1957, 1958 and 1959. **Underwriter**—Previous stock offering was to stockholders, without underwriting, with oversubscription privileges.

Montana Power Co.
May 20 it was reported company may issue and sell in the fall about $20,000,000 of debt securities. **Proceeds**—For construction program and to reduce bank loans. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Eastman Dillon, Union Securities & Co.; White, Weld & Co.; Kidder, Peabody & Co.; Smith, Barney & Co., and Blyth & Co., Inc. (jointly); Merrill Lynch, Pierce, Fenner & Beane and Stone & Webster Securities Corp. (jointly).

New England Electric System
May 23 it was announced SEC has approved the merger of the five following subsidiaries: Essex County Electric Co.; Lowell Electric Light Corp.; Lawrence Electric Co.; Haverhill Electric Co. and Amesbury Electric Light Co., into one company. This would be followed by a $20,000,000 first mortgage bond issue by the resultant company, to be known as Marrimack-Essex Electric Co. **Underwriter**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Company; Salomon Bros. & Hutzler; Eastman Dillon, Union Securities & Co., and Wood, Struthers & Co. (jointly); Lehman Brothers; The First Boston Corp.; Equitable Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane; Kidder, Peabody & Co., and White, Weld & Co. (jointly). **Offering**—Expected in first half of 1957.

New Jersey Bell Telephone Co. (9/11)
May 1 it was announced company plans to issue and sell $30,000,000 of debentures. **Proceeds**—Together with proceeds from sale of 900,000 shares of common stock (par $100) to parent, American Telephone & Telegraph Co., will be used to pay for expansion program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Morgan Stanley & Co.; Shields & Co.; White, Weld & Co.; The First Boston Corp. **Bids**—Tentatively expected to be received on Sept. 11.

New Jersey Power & Light Co.
Sept. 12, 1956, it was announced company plans to issue, and sell $5,000,000 of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co.; Kuhn, Loeb & Co., Lehman Brothers and Salomon Bros. & Hutzler (jointly); Eastman Dillon, Union Securities & Co. and White, Weld & Co. (jointly); Equitable Securities Corp.; The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane.

Niagara Mohawk Power Corp.
April 22 it was reported company tentatively plans to issue and sell this fall about $40,000,000 of bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Morgan Stanley & Co.; Kuhn, Loeb & Co. and Eastman Dillon, Union Securities & Co. (jointly).

★ Norfolk & Western Ry. (7/31) (9/18)
Bids are expected to be received by the company up to noon (EDT) on July 31 and Sept. 18 for the purchase from it of $8,580,000 additional equipment trust certificates in two installments. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Northern States Power Co. (Minn.) (8/13)
March 4 it was reported company plans to issue and sell approximately $15,000,000 of first mortgage bonds. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner and Beane, Kidder, Peabody & Co. and White, Weld & Co. (jointly); Lehman Brothers and Riter & Co. (jointly); The First Boston Corp. and Blyth & Co., Inc. (jointly); Equitable Securities Corp.; Kuhn, Loeb & Co.; Harriman Ripley & Co. Inc. **Bids**—Expected to be received up to 11 a.m. (EDT) on Aug. 13.

Ohio Power Co. (11/19)
May 15 it was reported that this company now plans to issue and sell $28,000,000 of first mortgage bonds and 70,000 shares of $100 par value preferred stock. **Proceeds**—To repay bank loans. **Underwriter**—To be determined by competitive bidding. Probable bidders: (1) For bonds—Halsey, Stuart & Co. Inc.; The First Boston Corp.; Blyth & Co., Inc.; Eastman Dillon, Union Securities & Co. and Salomon Bros. & Hutzler (jointly). (2) For preferred stock—Eastman Dillon, Union Securities & Co. and Salomon Bros. & Hutzler (jointly); Harriman Ripley & Co. Inc. and Stone & Webster Securities Corp. (jointly); The First Boston Corp.; Blyth & Co., Inc.; Kuhn, Loeb & Co.; Lehman Brothers. **Bids**—Expected to be received up to 11 a.m. (EST) on Nov. 19.

Pacific Gas & Electric Co. (7/23)
May 23 it was announced company intends to offer and sell $60,000,000 of first and refunding mortgage bonds. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; The First Boston Corp. **Bids**—Expected to be received on July 23.

Pacific Telephone & Telegraph Co.
May 24 it was announced company plans to offer to its stockholders the right to subscribe for 1,822,523 additional shares of common stock on the basis of one new share for each six shares of common stock and/or preferred stock held. **Price**—At par ($100 per share). **Proceeds**—To repay advances from parent. **Underwriter**—None. American Telephone & Telegraph Co. owns 89.6% of the voting stock of Pacific T. & T. Co. **Offering**—Expected some time in August.

Pacific Telephone & Telegraph Co. (8/20)
May 24 it was announced company plans to issue and sell $90,000,000 of new 23-year debentures due 1980. **Proceeds**—To repay advances from parent and for improvements and additions to property. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. **Bids**—Expected to be received on Aug. 20. **Registration**—Expected in the latter part of July.

Pennsylvania Electric Co.
Sept. 12 it was announced company plans to issue and sell $6,000,000 of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Beane, Eastman Dillon, Union Securities & Co. and White, Weld & Co. (jointly); Equitable Securities Corp.; The First Boston Corp.; Harriman Ripley & Co. Inc.; Kuhn, Loeb & Co.

Permian Basin Pipe Line Co.
May 20 it was announced company, a subsidiary of Northern Natural Gas Co., may issue about $25,300,000 of new securities, in the following form: $15,000,000 of mortgage bonds, $3,700,000 of preferred stock and $6,600,000 of common stock. **Proceeds**—To repay advances of $9,300,000 from parent, and the remaining $16,000,000 for new construction. **Underwriter** — Glore, Forgan & Co., New York.

Philadelphia Electric Co.
Feb. 14 it was announced the company plans to issue and sell in the second half of 1957 additional first mortgage bonds. **Proceeds**—For expansion program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co.; The First Boston Corp.; Morgan Stanley & Co. and Drexel & Co. (jointly).

Public Service Co. of Indiana, Inc.
Feb. 11 it was announced that it is expected that a new series of first mortgage bonds (about $25,000,000 to $30,000,000) will be issued and sold by the company during the year 1957. **Proceeds**—To repay bank loans (amounting to $25,000,000 at Dec. 31, 1956) and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; The First Boston Corp; Harriman Ripley & Co. Inc.; Glore, Forgan & Co.; Kuhn, Loeb & Co., Salomon Bros. & Hutzler and Eastman Dillon, Union Securities & Co. (jointly).

Purex Corp., Ltd. (Calif.)
April 30 it was announced that proceeds of at least $1,200,000 are to be received by the company prior to July 1, 1957 from the sale of new capital stock and used for working capital. **Underwriter**—May be Blyth & Co., Inc., San Francisco and New York.

San Diego Gas & Electric Co.
April 23, E. D. Sherwin, President, announced that company will probably raise about $7,500,000 late this fall through the sale of preferred stock. **Underwriter**—Blyth & Co., Inc., San Francisco, Calif.

★ Siegler Corp.
June 25 it was announced company plans to issue and sell in September or October of this year a maximum of 200,000 additional shares of common stock. **Underwriter**—William R. Staats & Co., Los Angeles, Calif.

South Carolina Electric & Gas Co.
Jan. 14 it was reported company plans to issue and sell $10,000,000 of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Lehman Brothers (jointly); Kidder, Peabody & Co.; Eastman Dillon, Union Securities & Co. **Bids**—Not expected to be received until next Fall.

Southern Pacific Co. (7/25)
Bids are expected to be received by the company on July 25 for the purchase from it of approximately $9,000,000 of equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Southern Union Gas Co.
May 16 it was reported company plans to issue and sell about $10,000,000 of debentures this summer. **Proceeds**—For construction program. **Underwriter**—May be Blair & Co. Incorporated, New York.

Southwestern Bell Telephone Co. (10/1)
May 24 directors approved the issuance of $100,000,000 new debentures. **Proceeds** — For expansion program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. **Bids** — Tentatively expected to be received on Oct. 1.

Tampa Electric Co.
May 8 it was announced company plans to issue and sell $18,000,000 of first mortgage bonds. Postponement of financing was announced on June 6. **Proceeds** — To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Goldman, Sachs & Co.; Stone & Webster Securities Corp.; Kuhn, Loeb & Co. and A. C. Allyn & Co. Inc. (jointly); Merrill Lynch, Pierce, Fenner & Beane. **Bids**—Had been expected to be received up to 11 a.m. (EDT) on July 17.

Tampa Electric Co.
May 8 it was announced company plans to issue and sell 217,286 additional shares of common stock, first to stockholders of record about June 26 on a 1-for-10 basis; rights to expire on July 16. Postponement of financing announced on June 6. **Underwriter**—Stone & Webster Securities Corp., New York.

Transocean Corp. of California
May 21 it was announced company plans a public offering of securities to provide about $6,700,000 of new working capital.

Utah Power & Light Co. (10/1)
March 12 it was announced company plans to issue and sell about $15,000,000 of first mortgage bonds due 1987. **Proceeds** — To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Blyth & Co., Inc. (jointly); Salomon Bros. & Hutzler; Eastman Dillon, Union Securities & Co. and Smith, Barney & Co. (jointly); Lehman Brothers and Bear, Stearns & Co. (jointly); White, Weld & Co. and Stone & Webster Securities Corp. (jointly); Kidder, Peabody & Co. **Bids** — Tentatively scheduled to be received on Oct. 1.

Utah Power & Light Co. (10/1)
March 12 it was also announced company plans to offer to the public 400,000 shares of common stock. **Underwriter**—To be determined by competitive bidding. Probable bidders: Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Eastman Dillon, Union Securities & Co. and Smith, Barney & Co. (jointly); Lehman Brothers; Blyth & Co., Inc. **Bids**—Tentatively scheduled to be received on Oct. 1.

Valley Gas Co.
April 15 it was announced company, a subsidiary of Blackstone Valley Gas & Electric Co., plans to issue, within one year, $4,000,000 of bonds, $1,100,000 of notes and $900,000 of preferred stock to its parent in exchange for $6,000,000 of notes to be issued in exchange for certain assets of Blackstone. The latter, in turn, proposes to dispose by negotiated sale the first three new securities mentioned in this paragraph.
April 15 it was also announced Blackstone plans to offer to its common stockholders (other than Eastern Utilities Associates its parent) and to common stockholders of the latter the $2,500,000 of common stock of Valley Gas Co., it is to receive as part payment of certain Blackstone properties. **Dealer-Manager**—May be Kidder, Peabody & Co., New York.

• Virginia Electric & Power Co. (12/3)
March 8 it was announced company plans to sell $20,000,000 of first mortgage bonds. Probable bidders for bonds may include: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and American Securities Corp. (jointly); Salomon Bros. & Hutzler; Eastman Dillon, Union Securities & Co.; Stone & Webster Securities Corp.; White, Weld & Co. **Bids**—Expected to be received on Dec. 3.

Wisconsin Public Service Co.
May 29 it was announced company plans to issue and sell about $7,000,000 of first mortgage bonds and about $5,000,000 common stock this Fall. **Proceeds**—For construction program and to repay bank loans. **Underwriters**—(1) For bonds, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane; Salomon Bros. & Hutzler and Eastman Dillon, Union Securities & Co. (jointly); Dean Witter & Co.; Lehman Brothers; White, Weld & Co. (2) For any common stock (probably first to stockholders), The First Boston Corp., Merrill Lynch, Pierce, Fenner & Beane, Robert W. Baird & Co. and William Blair & Co. (jointly).

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The Security I Like Best

tion from such large electronic manufacturers as General Electric, Texas Instruments, Raytheon, Radio Corporation of America, Philco and Sylvania, which rank before General Transistor approximately in that order. Of about 40 companies, General Transistor is the seventh largest manufacturer in the business with approximately 4% of the total transistor market. Unlike its larger competitors, General Transistor makes transistors and its components exclusively.

Sales have increased from $113,000 in 1955 to $1,132,000 in 1956 and estimated volume in 1957 is $3,250,000. In the quarter just ended March 31, the company had sales of $510,000 compared to only $154,000 in the same quarter of 1956. In addition to this the company had an order backlog of $300,000 at the end of 1956 and in the first four months of the current year the company booked $1 million in new orders. This sales and new order record has been outstanding.

In 1955, the company's first year of operation, it lost approximately $6,000. Last year the company made $184,000 or 61 cents per share on the present number of 302,966 common shares outstanding. In the first quarter of 1957, the company made $50,225, or 18 cents per share, compared to $41,161, or 14 cents per share, earned in the same period of 1956. Profit margins have been considerably reduced in the past year due to increased costs of training personnel and expenses incurred in expanding facilities to meet the needs of increased growth. It is anticipated that profit margins will stabilize at about 10% after taxes in 1957. Although earnings in 1957 are expected to be better than $1 per share, in the last quarter of the year, they may run at the rate of 35 cents per quarter.

General Transistor produces five basic types of transistors, the majority of which are sold to electronic computer manufacturers. It makes and sells transistors to almost every major computer manufacturer. When one major builder changes over to a transistorized computer on a production basis, it could possibly be a very important customer of General Transistor.

Concentration in the computer market has been stressed by General Transistor because these units must be manufactured to very close tolerances and are sold at higher prices than transistors produced for other markets. For instance, a computer transistor now costs about $2 while a radio transistor costs less than $1.25. Other computer transistors are sold as high as $7 but they are only made in small quantities and for special uses.

Computer transistors are produced at very close tolerances and the company has obtained competitive advantages by special manufacturing techniques. It has reduced its reject ratio from 90% when it first was in business to a current rate of about 35%. The company feels that this rate is below the industry average.

In addition, since transistor designs have not been standardized, thereby necessitating short production runs, it is impossible at this time to make sufficient utilization of automatic equipment for their manufacture. Therefore, a small company like General Transistor is able to compete with the large corporations. Also, since the cost of the transistor relative to the total cost of the computer is very small, there is little incentive for the computer manufacturers to produce these devices. As volume expands and if transistors become standardized, the situation may change in favor of the large manufacturer. By that time General Transistor is expected to be in an even more prominent competitive position in this field.

Although the computer market is important, the company is very much interested in four other rapidly expanding major markets, namely, portable and home radios, military products, hearing-aids and miscellaneous electronic instruments. Only small quantities are being supplied for these four at the present time but a large military market is estimated to be about two years away. Because of the intense competition that results in lower profit margins in radio transistors, this market will not be particularly important to the company.

The company is considering the manufacture of crystal diodes, a product used in large volume by computer manufacturers. Crystal diodes, which act as rectifiers in electronic circuits, are similar in construction to transistors and may be manufactured on the transistor production lines with only small equipment modifications. They are, however, easier and less expensive to produce as exemplified by an average selling price of $0.60 compared with about $2.00 for a computer transistor. Since, on the average, four diodes are used for each transistor in computer construction, the market for diodes is very large. In addition, this product would complement the company's sales in the computer field. Industry sales of diodes have grown from $9.3 million in 1954 to almost $32 million in 1956 and are projected at $42 million for 1957.

The company, through the recently acquired Magna-Head Company, is entering the production of magnetic devices which are relatively new in their application in electronic computers. These units are used principally in the memory section of the machines. The company is also exploring very carefully other computer components used in conjunction with transistors. The transistor component business could possibly be as large as transistors themselves.

Semimetals, Inc., a wholly-owned consolidated subsidiary of the company, was incorporated in February, 1956 for (1) the development, manufacture and sale of equipment used in the manufacturing of single-crystal germanium and silicon and (2) the manufacture and sale of silicon in single-crystal form. For the period of approximately 11 months in 1956 that the subsidiary was in operation, it had sales of $106,899 and a net profit of $21,200.

The company conducts no pure research for the development of new types of transistors and related products. It perfects and manufactures products invented by others and for which there is an established market. The company holds no patents but is licensee under patents of Western Electric and R. C. A. Although there is no basic research, the company has a staff of ten engineers engaged in product development and individual customer service. The management is young, very able, with considerable experience in electronics and particularly transistors.

Capitalization of the company consists of $70,000 in a purchase money mortgage, $400,000 in 5½% convertible subordinated notes due 1969 and 302,966 shares of common stock. In the first quarter of 1957, General Transistor placed privately through Kidder, Peabody & Co., $400,000 of 5½% subordinated convertible notes and 18,000 shares of common stock. The notes are convertible into common at 11¾ per share. Full conversion will create about 11% dilution in the present outstanding shares.

The outlook for General Transistor is very promising. The United States Air Force recently approved General's transistor for its military applications. The company will set up an organization this year of 300 electronic distributors throughout the United States. In the latter part of 1957, General will begin manufacture of diodes and additional types of transistors. As volume has expanded, the company has been able to reduce prices which has further stimulated the use of its transistors. The expanded use of transistors in computers, hearing-aids, radios, military and commercial electronics presents the opportunity of combining a small company with a good management and efficient organization into what appears to be a very unique growth situation.

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Observations . . .

the last of 30 questions governing proxy solicitation communicated to the Commission July 10, 1956, together with the Commission's reply in full, which came forth after an interval of seven months and some prodding follows:

"Q. Is 100 words sufficient for a fair presentation of a stockholder proposal? Does management have an advantage in its ability to answer the contention in the same communication?"

"A. In determining the length of the statement which a stockholder may insert in management's proxy statement in support of his proposal the Commission had to consider the practicalities of the problem. There is no limit to the number of stockholders who may put proposals in the management's statement nor is there any limit upon the number of proposals which a single stockholder may insert, other than the exercise of discretion.

"Since the 100 words is in addition to the statement of the proposal itself, it seemed to the Commission that 100 words would be sufficient for a carefully prepared exposition of the reasons of the proposal to stockholders. Objection to this limit has been voiced on occasion but, in general, it has been accepted and seems to have worked very well in practice.

"There is no question that **the management does have some advantage in being able to reply at greater length. However, it has as much or more advantage by reason of being in control of the proxy machinery and having access to the corporate funds with which to combat the proposal.**"

If the Commission sincerely fears the danger of bulk through the absence of limitation on the number of proposals which a single stockholder may insert, then why not impose such limitation in lieu of the number of words in each proposal? In any event, why put the word limitation discriminatorily on the shareholder and not on the management — whose statement, additionally, goes out un-rebutted?

Spurious SEC Argument

The last statement in the Commission's reply is truly astounding, coming from a responsible agency. It is saying that since management already has the advantage by reason of being in control of the proxy machinery and having access to the corporate funds, why worry about further discrimination? As well might one contend that because the negro is already beset by the poll tax and other troubles, why worry about segregation?

The Commission is affirmatively supporting the situation wherein the shareholder is denied both equal space for telling his story; and equal opportunity for verification or rebuttal. And as the Commission says, this exists in a framework wherein management can exert vast additional pressures in support of its position.

Loading the Dice, Plus Indifference

If the Commission perseveres in excluding from its proxy regulations provisions assisting the public stockholder to obtain adequate presentation and fair consideration of his contentions and proposals, it is justifying the criticism that in the case of the big contests it loads the dice; and that regarding the small stockholder trying to accomplish something outside of an intra-corporate fight area, it is not interested.

Senator Lehman and the Committee likewise asked questions as to the desirability of requiring institutional investors such as investment companies to report how they vote their proxies; and that stock held in pension funds should be voted in accordance with the wishes of the beneficial owners. Here also, the Commission's replies are evasive, procrastinating, and altogether uncooperative.

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Stock Market Reflections

what's pertinent. Steel stocks are still selling at extremely low price earnings ratios. I can only think that this is due to the persistence of the idea that they are prince and pauper shares. There is also a lack of romance as far as the investment public is concerned even though the growth factor has been good. Here is a case where a profit might be made out of a gradually increasing investment rating as well as gradually increasing earnings.

Another group which is rated low is the railroads. Of course, railroads appear to be the reverse of growth stocks with automobiles and airplanes cutting into their business all the time. Nevertheless, huge profits have been made in rails from other factors. To begin with, many rails have enormous double leverage. Some of it comes from their capital structure —some of it comes from the nature of their business. Therefore, buying the right rails at the right time is like buying on margin without having to make any personal loans.

The railroad industry has been characterized by a management that has grown up in the industry. Most of the time it has been management without ownership. Normally, it has been what might be called an operating management. In many cases it has been what I would call an old-fashioned management. Where this has been replaced by ownership management, which is also a modern management, enormous gains have resulted. As many of you probably know, I think that the combination of expert ownership and management is working to rebuild the New York Central right now.

Aircrafts have been in a little bear market of their own all year. It shows no signs of turning right now. At the same time, I will join the ranks of those who feel this is temporary in this instance. I think that the moderate price earnings ratios of aircraft manufacturing stocks are still behind what they might be. A few years ago they stood at the bottom of the list; now they are about a dozen steps up the ladder but still have room to climb, in my opinion.

I like the amusement industry because if you follow it closely enough you will realize that individual success counts for a lot. To some extent, if you are in the railroad business you deal with many factors outside of your control, in the way of regulation, etc. However, in the amusement industry if you make a winning picture or a series of them, or if you have the best TV program, it will be reflected in your earnings right away.

The same thing is true to a lesser extent in the automobile business, as witness the success of Chrysler and the Forward Look this year.

Oil stocks are high up on the list of popularity and certainly seem to rate it. Where else can you find the tax advantages and heavy cash flow? Where else can you find the excitement of exploration?

One Last Bit of Advice

In closing, let me leave one last though. Don't pay too much attention to what I might call normal valuations. Nothing is ever normal for more than a short space of time. Stocks are always called undervalued or overvalued but often stay that way for protracted periods.

In my mind, the only valuation that really counts is the bid, the offer, and the actual sale. That's what will determine how much money you can make. The market price as it is affected by the trend in being is the only factor that counts in either shrinking or swelling your pocketbook.

Forming Leavitt & Co.

Ezra G. Leavitt, member of the New York Stock Exchange, and James W. Fry on July 1st will form Leavitt & Co. with offices at 40 Wall Street, New York City.

Bernard Berk Admits

Bernard Berk & Co., 72 Wall Street, New York City, members of the New York Stock Exchange, on July 1st will admit Lewis Jay Horowitz to partnership,

Pilgram Secs. in Boston

BOSTON, Mass. — Pilgrim Securities, Inc. have opened an office at 80 Federal Street. Lester G. Lazar is associated with the new office.

Wellington Co. Admits

Wellington & Co., 120 Broadway, New York City, members of the New York Stock Exchange on July 1st will admit Robert G. Merrill and Joseph D. Bennett to partnership.

Sutro Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Carl L. Dierkes has been added to the staff of Sutro & Co., 460 Montgomery Street, members of the New York and Pacific Coast Stock Exchanges. He was formerly with Schwabacher & Co.

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Long-Term Investment Results Require Continuous Supervision

which, as the office is electronified, will release workers for more productive employment.

(6) A change in power production due not only to the development of atomic power, but to new efficiencies in the use of conventional sources of energy.

(7) A change in production as we achieve the electronic automation of the factory.

(8) A change in distribution which is adapting itself at a furious pace to automatic merchandising, super markets, new techniques in packaging, self-service, TV advertising, better materials handling, etc., etc.

(9) A new change in agriculture, as new fertilizers, insecticides, machines and chemical techniques cut man-hour costs and raise the output per acre.

(10) A change in metallurgy, as new techniques of resource discovery, mining and refining are applied to the old as well as the new metals which are emerging from our laboratories.

(11) A change in transportation involving the jet and the gas turbine, as well as our new road system and the opening up of the St. Lawrence waterway.

(12) A change in communication, as the transitor comes into application.

(13) A change in education which will be more effective and less costly when closed circuit TV comes of age.

(14) A change in the art of warfare which is being changed fundamentally by the jet, nuclear physics and guided missiles.

(15) A change in planning by government, business and banking which, through use of the new electronic statistical machines, can now obtain adequate statistics and process them for effective planning.

(16) A change in management techniques which is slowly evolving into a science, assuring that all of the other 15 changes will be put to use by business to improve productivity and production.

Now what does this mean in terms of investment supervision? Let's take one of these changes and attempt to see what it could mean in terms of the investment of pension funds.

As these changes take place, it doesn't mean that every company in that industry is going to profit. Each company must be studied. What the supervisor of investments must look for, over and above the fact that the industry is in a good competitive position, is whether the individual company within that industry has:

(1) Competent management.

(2) Sound financial backing and structure.

(3) A good pattern of growth in terms of its own industry.

(4) Good systems of distribution, etc.

It is these specific factors combined with general factors of economy and industry which will choose the successful investment of tomorrow.

Cites Missile Industry as an Example

One of the major changes was the one which pointed out the major change which is taking place in the art of warfare. There is a definite shift in our defense policy away from the conventional weapons into the area of the missile. This means that manned aircraft will be relatively less important and that our major system of armaments will be based upon the retaliatory power of the guided missile armed with the atomic warhead.

In terms of supervised investment, we could look at it this way: the missile industry will be making more money in the future. Within this industry there will be certain companies which will present attractive investment opportunities.

The changes in our defense program which seem inevitable, are going to affect the aircraft manufacturing industry perhaps more seriously than any other, as the demand for missiles replaces the demand for manned aircraft. A missile is essentially a tube. The metallurgy that goes into the designing of that tube is perhaps the most important aspect of its development, because of the heat problems that have to be overcome. But the metallurgists who design the tube are more likely to be working for the steel company than for the aircraft manufacturer. The materials that are inside the tube, the explosive materials, are in the province of the chemical companies. The electronic guidance systems which control the missile will, in many cases, be designed by the aircraft manufacturing companies; but in other cases they will be designed by a number of small electronic engineering groups, which the aircraft companies are finding it more and more difficult to acquire.

What I am trying to say, in essence, is that the people who are engaged in the defense industries are faced with a period of transition which is probably going to be a very serious transition for some of them. The managements of some of these companies will be able to make the necessary adjustments successfully. Others will not be able to do so. It is therefore necessary for those who follow investments in the defense industries to watch closely to see how well each company is doing.

Obviously, what I have just discussed can be translated into investment terms. For example, if your portfolio contains a heavy commitment in air-frame manufacturing companies certain adjustments might be made. But this is not a blanket condemnation of an industry. All it means is that this particular industry is going to have some considerable problems over the next 15 years and any investment in the industry is going to have to be studied assiduously.

Stresses Selectivity

We have found in our years of experience that selectivity is the key to successful investment policy. The theory of buying an industry or selling an industry has never proved effective except, perhaps, for the short-term speculator. Therefore, in the air-frame industry where the long-term outlook does not look too promising at the moment — careful study should be made of the individual companies before any action is taken.

I mentioned before that U. S. industry is spending a vast fortune for research. And it is through these expenditures that the changes I have outlined are taking place. By the same token, the management of an investment portfolio is a business that requires research. The changes in our economy require study if they are to be capitalized upon. And this means time, brains and money all expended upon the study of investments. So, it behooves the trustees of any pension fund to utilize the research brains available to them.

The major banks and investment firms have large research departments organized to do just this type of work. No investment can be made and then forgotten. Each investment must be watched and checked. For this reason, it makes sense for the trustees to use as much research as cost will allow. Any fund which does not do so may be jeopardizing their long-term investment results.

As I have pointed out, the changes which are taking place in our economy will indicate changes in investment. This is the continuous job of fund supervisors and this is the investment activity which makes for successful investing.

Kaiser Aluminum & Chemical Convertible Pref. Stock Offered

The First Boston Corp. and Dean Witter & Co. are managers of the group that is offering publicly today (June 27) a new issue of 300,000 shares of Kaiser Aluminum & Chemical Corp. 4¾% cumulative convertible preference stock, par value $100, at a price of $100 per share.

The new preference stock is convertible into common stock at the option of the holder at any time prior to redemption. The conversion price per share of common stock will be $47.50 through May 31, 1967 and $55 thereafter, subject to adjustment in certain events; for conversion purposes each share of convertible preference stock will be taken at $100. The stock is redeemable at the option of the corporation in whole or in part at any time at prices ranging from $104.75 per share if redeemed before June 1, 1962, to $100 per share if redeemed on or after June 1, 1972, together in each case with accrued dividends.

Proceeds from the sale of the new preference stock, together with other funds, will be used to provide a portion of the funds for completion of expansion programs underway. In addition, the company is negotiating the direct placement of a new series of $50,000,000 first mortgage bonds.

Kaiser Aluminum & Chemical is a major producer of primary aluminum and fabricated aluminum products. In 1956, it produced 25% of the primary aluminum output of the United States. Its aluminum operations include the mining and processing of bauxite, the production of alumina from bauxite, the reduction of alumina to aluminum, and the fabrication of aluminum and aluminum alloys into a variety of products. The company is also a producer of basic refractory materials, dolomite and magnesia.

For the three months ended March 31, 1957, net sales of the company amounted to $97,527,000 and net income was $8,267,000, compared with net sales of $87,393,000 and net income of $11,386,000 for the same period of 1956. For the calendar year 1956, total net sales amounted to $330,712,000 and net income to $41,211,000.

M. Leiner Opens

BROOKLYN, N. Y. — Morris Leiner is engaging in a securities business from offices at 1128 Fifty-Second Street.

McManus & Walker Admit

On July 1 McManus & Walker, 39 Broadway, New York City, members of the New York Stock Exchange, will admit Daisy Strasser to limited partnership.

D. F. Rice Branch

FT. LAUDERDALE, Fla.—Daniel F. Rice & Company has opened a branch office at 937 Northeast 19th Avenue under the management of Dale W. Teegarden.

Business Man's Bookshelf

Aging in the Modern World — University of Michigan Division of Gerontology — University of Michigan, U-M Division of Gerontology, Rackham Building, Ann Arbor, Mich.—$2.25.

Airline Traffic and Financial Data —Quarterly Review—Air Transport Association of America, 1107 Sixteenth Street, N. W., Washington, D. C.—paper.

Albacora—Eugenie Marron—Random House, Inc., 457 Madison Avenue, New York 22, N. Y. (cloth) $3.75.

American Bureau of Metal Statistics Year Book—36th annual issue for 1956 — American Bureau of Metal Statistics, 50 Broadway, New York 4, N. Y. —paper—$3.

Annals of the United States Savings and Loan League for 1956 —U. S. Savings & Loan League, 221 N. La Salle Street, Chicago 1, Ill. (cloth) $5.00.

Books for the Reader and Collector (chiefly in fine bindings) —Catalogue—L. Weitz, Inc., 439 Madison Avenue, New York 22, N. Y.—paper.

Business Letters, Fourth Edition— Walter Kay Smart, Louis William McKelvey, and Richard Conrad Gerfen — Harper & Brothers, 49 East 33rd Street, New York 16, N. Y.—cloth—$8.

Business Reports — Chester Reed Anderson, Alta Gwinn Saunders & Francis William Weeks — third edition — McGraw-Hill Book Company, Inc., 330 West 42nd St., New York 36, N. Y. $6.

Citadel, Market and Altar: Emerging Society — Spencer Heath, with a foreword by John Chamberlain — Science of Society Foundation, 1502 Montgomery Road, Elridge 27, Md.—cloth—$6.

Columbia University Press Catalogue—Fall, 1957—list of new publications scheduled—Columbia University Press, 2960 Broadway, New York 27, N. Y. (paper).

Conflict Between Law and Administrative Practice in Valuation of Property for Taxation in Kentucky—F. John Shannon— Bureau of Business Research, University of Kentucky, Lexington, Ky. (paper).

Eighth Annual Report on Exchange Restrictions — International Monetary Fund, Washington, D. C.—paper.

Electric Utility Industry in the United States: Statistical Bulletin for the year 1956—Edison Electric Institute, 420 Lexington Avenue, New York 17, N. Y. (paper) $1.25.

Employment Security—U. S. Department of Labor publications: Counseling and Employment Service for Youth, 30 cents; Counseling and Employment Service for Special Workers Groups, 40 cents; Older Worker Adjustment to Labor Market Practices, $1.25—U. S. Department of Labor, 341 Ninth Avenue, New York 1, N. Y.

Fortune Directory of 500 Largest Corporations — Supplement to July issue of Fortune Magazine —Fortune, 9 Rockefeller Plaza, New York 20, N. Y.

Glass Containers 1956 — Analysis of industry — Glass Container Manufacturers Institute, Inc., 99 Park Avenue, New York 16, N. Y.—paper.

High Strength High-Temperature Materials for Standard Parts— Report of Symposium in Dallas, Texas—National Standards Association, 616 Washington Loan & Trust Building, Washington 4, D. C.—$7.50.

How They Handle Their Personnel — Comparison of over 100 actual programs — William L. Barton — Management Publishing Corporation, 22 West Putnam Avenue, Greenwich, Conn.

India: The Awakening Giant — W. S. Woytinsky — Harper & Brothers, 49 East 33rd Street, New York 16, N. Y. (cloth) $3.75.

Industrial Bulletin, May 1957 — Containing articles on "The Older Worker," "Collective Bargaining Trends," "Labor in Review," "Injury Frequency Rates," and selected decisions of arbitrators in labor dispute cases—New York State Department of Labor, 80 Centre Street, New York 13, N. Y. 25 cents per copy, $3.00 per year.

Interplay of East and West: Points of Conflict and Cooperation — Barbara Ward — W. W. Norton & Company, Inc., New York, N. Y. (cloth) $3.50.

Management of New Products: Key Factor in Company Growth and Survival—Condensed Presentation—Booz, Allen & Hamilton, 380 Madison Avenue, New York, N. Y. (paper).

Mutual Security Program fiscal year 1958—A Summary Presentation — International Cooperation Administration, Washington, D. C.—paper.

Present Day Banking 1957 — American Bankers Association, 12 East 36th Street, New York 16, N. Y. (cloth).

Procedural Microfilming — New Techniques in Clerical Cost Control—Manual on use of microfilm in daily business procedures—Diebold, Inc., Flofilm Division, Norwalk, Conn.—Single copy on request; additional copies at $1 each.

Six Main Aes Coinages of Augustus—Michael Grant—Barnes & Noble, Inc., 105 Fifth Avenue, New York 3, N. Y. $5.50.

Southwest Resources Hand Book —Southwest Research Institute, 8500 Culebra Road, San Antonio, Texas. $250.00.

State Bonuses for World War II and Korean War Veterans—Tax Foundation, Inc., 30 Rockefeller Plaza, New York 20, N. Y. —paper.

Theory of the Consumption Function, A — Milton Friedman — Princeton University Press, Princeton, N. J.—cloth—$4.75.

United States Business Performance Abroad: Case Study of STANVAC in Indonesia — National Planning Association, 1606 New Hampshire Avenue, N. W., Washington 9, D. C.— paper.

Venezuela: Business and Finances — Rodolfo Luzardo — Prentice-Hall, Inc., 70 Fifth Avenue, New York 11, N. Y.—cloth—$4.95.

Woman Worker: Job - Finding Techniques for the College Woman, 10 cents; Outlook for Women as Occupational Therapists, 20 cents; Employment Opportunities for Women in Professional Engineering, 20 cents; Employment Opportunities for Women as Medical Technologists and Laboratory Technicians, 25 cents; Older Women as Office Workers, 25 cents; Outlook for Women as Practical Nurses, 40 cents; How to Conduct an Earning Opportunities Forum in Your Community, 15 cents—U. S. Department of Labor, 341 Ninth Avenue, New York 1, N. Y.

World Balance Sheet—Robert R. Doane—Harper & Brother, 49 East 33rd Street, New York 16, N. Y.—cloth—$10.

A. B. S. Share Value Rises

American Business Shares, Inc. reports for the six months ended May 31, 1957 an increase of 3 cents a share in the net asset value of its outstanding capital stock after adjustment for the 9 cent capital gain distribution paid Dec. 28, 1956. Net assets were $27,408,593, equivalent to $3.77 a share on May 31, 1957. Cash, bonds and preferred and guaranteed stocks accounted for 49.03% and common stocks for 50.97% of the portfolio on that date.

Issues added during the period were Louisiana Power & Light Co. debentures 4¾% 1987 and Sears, Roebuck Acceptance Corp. debentures 4⅝% 1972; El Paso Natural Gas Co. 5.68% preferred stock and General Telephone Co. of California 5% preferred stock.

Eliminations were Michigan Consolidated Gas Co. first mortgage 3/1975, Public Utility District No. 2 Grant County, Washington revenue bonds 3⅞ 2005; Central Hudson Gas & Electric Corp. common stock.

Merrill Lynch Adds

(Special to THE FINANCIAL CHRONICLE)

FRESNO, Calif. — David M. Eliason has been added to the staff of Merrill Lynch, Pierce, Fenner & Beane, 1125 Van Ness Avenue.

Mutual Funds

By ROBERT R. RICH

I. D. S. Starts Variable Payment Fund

Investors Variable Payment Fund, Inc., whose first public offering of shares will be made this week, presents an answer to the widely recognized need for a professionally managed investment medium designed to provide flexible future income related to changes in the purchasing power of the dollar.

The new company is a mutual investment fund which will invest primarily in common stocks with emphasis on growth, provide for automatic reinvestment of dividends, and for a variable pay-out of capital and income to the shareholder by periodic redemption of shares for an elected number of years.

The shares of this fund are offered by its sponsor and national distributor, Investors Diversified Services, Inc., in conjunction with the face-amount instalment certificates issued by Investors Syndicate of America, Inc., thus creating a new form of balanced investment program suitable for accumulating a retirement fund or an estate.

Briefly, this program operates as follows: One payment monthly, quarterly or annually on a systematic investment basis for the purchase of two securities: Investors Syndicate of America certificates — a fixed dollar amount investment — and Investors Variable Payment Fund shares—a fluctuating dollar investment.

In keeping with its purpose, the new fund offers broad pay-out options. Option 1 provides for spreading the pay-out of the shareholder's investment over an elected number of years in amounts which will tend to vary in response to fluctuations in the value of the dollar. This option makes use of a variable payment factor which determines the number of shares to be redeemed at each redemption interval.

Other options give the shareholder the right to specify the number of dollars to be received or the number of shares to be disposed of each period, until all his shares are redeemed.

Investors Syndicate of America, Inc. face-amount certificates carry their own cash pay-out options which may be extended over a period of years. The pay-out from these two investment media is intended to help resolve financial problems arising from changes in the economy. For instance, when common stock prices rise, the investor's income from Investors Variable Payment Fund shares would rise with them, possibly well before a comparable rise in the cost of living occurred. Conversely, should common stock prices decline, the pay-out would be less, but living costs would probably fall, too, since common stocks historically have tended to keep pace with cost of living trends.

The part of the investment represented by the Investors Syndicate of America certificate, on the other hand, would act in reverse under similar economic conditions. Although the fixed dollar income from this source would have less purchasing power when the cost of living rises, it would buy more when living costs decline. Consequently, the combination has advantages of balance possessed by neither one alone.

Investors Variable Payment Fund, Inc. will operate by investment advisory agreement under the professional management of Investors Diversified Services, Inc., which has had 63 years experience in investment management and administration. The new fund will have the benefit of the extensive facilities for financial and economic research and analysis maintained by IDS, and will be under the continual supervision of its large and competent staff of experienced investment specialists

Dividends on shares of the fund will be declared at the close of each fiscal year, but are required to be automatically compounded so that the fund is, in effect, continuously accumulative. Reinvestment of dividends will be made without sales charge.

Investors Variable Payment Fund, Inc., incorporated by IDS in March 1957 under the laws of the State of Nevada, is registered under the Federal Investment Act of 1940 as a mutual diversified investment fund of the open-end type. Shares are offered to the public at their net asset value plus sales charge. Asset value varies daily with fluctuations in the market value of the securities owned by the company. Sales charges are graduated to provide reductions as the investment is built, and a shareholder's investment in other mutual funds managed by IDS may be included to obtain the reduced sales charge. Transfer of shares to one or more of these funds may be made without sales charge.

Shares of the fund will be distributed exclusively by Investors Diversified Services, Inc., through its nationwide sales organization composed of more than 2,700 licensed representatives. These shares are designed to be offered as part of the balanced investment program, but may be purchased separately.

Joseph M. Fitzsimmons, IDS President, is Board Chairman and President of Investors Variable Payment Fund, Inc. Home office is in the Investors Building, Minneapolis, Minn.

The new fund is the fifth mutual fund affiliate in the Investors Group, which includes also two wholly-owned IDS subsidiaries issuing face-amount certificates. The parent company, Investors Diversified Services, Inc., founded in 1894, now has assets under management in excess of $2 billion and services more than 780,000 customer accounts.

Bullock Group Analyzes Public, Private Debt Problem

While debt, either total or private, seems not unduly excessive relative to income, there is the ever-present danger that it would become so if a sharp downturn of incomes were to occur.

However, there seems to be some evidence of a recent constructive change towards the use of more real savings in financing business expansion and less dependence on credit created by the banking system, according to the June issue of "Perspective," publication of Calvin Bullock, Ltd., managers of mutual funds with assets in excess of $400,000,000.

At the end of last year, net public and private debt totaled $684 billion, compared to $406 billion at the end of 1945, $170 billion in 1940 and $191 billion in 1929.

Private debt is no longer at the extremely low level it reached at the end of the war, the analysis pointed out, and therefore an increase in debt to finance capital expansion must be henceforth more closely in line with real savings. In this connection it seems significant that the economy could move ahead as rapidly as it did last year with the increase in private debt reduced to $29.8 billion compared to $44.0 billion the year before.

Thus, the economy does not appear dependent on excessive debt creation to make further substantial advances.

While the dollar total of debt seems indeed imposing, Calvin Bullock said, there is little conclusive evidence to indicate that it is at, or even near, a dangerous or unsupportable level. However, there are signs that it has attained a level where it tends to restrict plans for capital expansion, consumers' purchase of durables and banks' willingness and ability to expand credit.

Along with this, the economy has demonstrated the ability in recent months to expand by the use of real savings and without stimulus from excessive credit creation, the publication said. If this is true, economic expansion in the future should keep ahead of debt expansion, and debt need not become a serious economic problem.

At some point, if economic sanity persists, the publication said, debt tends to become self-restrictive, principally because of its dependence upon the ability and willingness of banks to lend. Tightening of bank credit is followed by reluctance of stronger business firms to extent credit to its less financially sound customers. The ability of banks to lend is determined, of course, by the availability of reserves. Their willingness is determined by their assessment of their own and their customers' financial soundness. Such judgment is based only partly on empirical measurements and may be highly qualitative in nature. An important factor, "Perspective" pointed out, is likely to be not only the level and distribution of debt but also its rate of change in the recent past.

There are several apparent dangers from excessive debt, "Perspective" noted. First is the possible assumption by debtors of financial obligations greater than they can meet from future resources. In the past there has been little evidence that such a load is likely to be accumulated, assuming a continuation of about the existing levels of business. Debt becomes a dangerous burden when business activity and incomes decline, thus aggravating the impact of other economic maladjustments.

Thereafter, and before a business recovery takes place, a substantial liquidation of debt is generally required.

There is little evidence that debt itself has been a direct initiator of business recessions, although the psychological weight of debt may have depressive influences on business and personal spending decisions. As a corollary, debt seldom appears excessive relative to current rates of income.

Mass. Growth Fund Assets at $136 Million

Massachusetts Investors Growth Stock Fund reported for the three months ended May 31, 1957 net assets of $135,870,720. There were 11,781,229 shares outstanding, owned by 39,768 shareholders. All three figures represent record highs for the end of any quarterly period.

Net assets on the same date a year ago totaled $98,289,648. Shares then outstanding numbered 9,417,832, owned by 27,385 shareholders.

Net assets on May 31 were equal to $11.53 per share, which, together with a capital gain distribution of 50 cents per share on December 1956, is equal to $12.03 per share, compared with $10.44 a year earlier.

The report showed that during the three months period the fund purchased securities, other than U. S. Government securities, totaling $17,045,974, while investment securities sold totaled $6,856,933.

During the quarter the fund made initial investments in American-Marietta Co.; Mead Johnson & Company and Newmont Mining Corp., the report indicated.

Among the changes in the fund's portfolio during the quarter were:

Purchasers

	Shares
American-Marietta Co.	25,000
Gulf Oil Corp.	9,000
International Business Machines Corp.	2,000
Mead Johnson & Co.	20,000
National Lead Co.	10,000
Newmont Mining Corp.	10,000
Reynolds Metals Co.	6,100

Sales

	Shares
Dixie Cup Co.	13,000
Filtrol Corp.	15,000

DIF Moves Into Bonds

Diversified Investment Fund, Inc., a balanced mutual fund investing in common stocks, preferred stocks and bonds, reports total net assets of $66,986,784 at May 31, end of the first half of the current fiscal year. This represents an increase of $3,952,468 over the figure at Nov. 30, 1956.

During the same period shares outstanding rose from 7,039,294 to 7,521,356 and shareholders from 17,784 to 18,543. Asset value per share declined from $8.95 to $8.91. Two income dividends of 10 cents per share paid by the fund since Nov. 30, 1956 totaled $1,481,838—more than twice the amount distributed 10 years ago for the entire year 1947. On Dec. 31, 1956, a security profits distribution totaling $2,815,718 was paid at the rate of 40 cents per share, to

shareholders of record Nov. 30, 1956.

At both the beginning and the end of the six months, about 70% of the fund's assets was invested in common stocks, the remainder in fixed income issues.

During this period, however, the fund purchased more than $3,700,000 of bonds, "to take advantage of the attractive yields available on high-grade bonds," according to Hugh W. Long, President of the fund. Preferred stock holdings were reduced and now represent 12.1% of assets, as compared with 15.0% on Nov. 30 and 18.2% a year ago. The fund's assets are now 17.6% invested in bonds, against 13.3% on Nov. 30 and 11.9% on May 31, 1956.

New purchases in the common stock section included American Broadcasting-Paramount Theatres, Inc., Arkansas Louisiana Gas Co., Hammond Organ Co. and Socony Mobil Gas Co. Eliminated were Alabama Great Southern Ry. Co., Boeing Airplane Co., Deere & Co., National Gypsum Co. and North American Aviation, Inc.

New additions to bond holdings were: Aluminum Co. of Canada, Ltd., sinking fund debentures, 4½s, 1980; Commercial Credit Co., subordinated notes 4½s, 1977; Idaho Power Co., first mortgage 4½s, 1987; Louisiana Power & Light Co., first mortgage 4¾s, 1987; New England Tel & Tel Co., debentures 4¾s, 1986; Pacific Gas & Elec. Co., first 4½s 1986; Sinclair Oil Corp., convertible 4⅜s, 1986. Substantial additions were made to previous holdings of American Tel. & Tel. Co., debentures 3⅞s, 1990; N. Y. & Harlem RR. Co., "B" 4s, 2043; and Tennessee Gas Transmission Co., debentures 4¼s 1974.

The only elimination from the bond holdings was Atlantic Coast Line RR. Co., unified 4½s, 1964.

Among preferred stocks, Alabama Great Southern Ry. Co., 6% participating, was eliminated from the portfolio. Partially eliminated were holdings of Public Service Elec. & Gas Co., $1.40 cumulative div. preference common. International Nickel Co. of Canada, 7%, was called for payment.

Personal Progress

The appoinment of Frederick E. Blum to the research staff of Barringer & Nelson, investment managers of Delaware Fund and Delaware Income Fund, was announced.

Mr. Blum will specialize primarily in aircraft manufacturing and related fields, and will closely follow developments in guided missile and atomic energy programs. He brings to his new post an extensive background in these fields which he gained during his 10 years as a Navy aviator and instructor in this country and abroad.

A native of New York City, Mr. Blum graduated from the U. S. Naval Academy in 1944. Earlier this month, he received his Master's degree in Business Administration from the University of Pennsylvania Wharton School. He also taught "Money & Banking" at that institution while completing the studies he undertook upon resigning his rank of Lieutenant in 1955.

George R. Harris With Garrett-Bromfield & Co.

(Special to The Financial Chronicle)

DENVER, Colo. — George R. Harris has become associated with Garrett-Bromfield & Co., 650 17th Street, members of the Mid-West Stock Exchange. Mr. Harris was formerly President of his own investment firm in Denver.

Jensen & Stromer Adds

MARYSVILLE, Calif.—Joaquin Gimenez, Jr. has been added to the staff of Jensen & Stromer, 426 East Fifth Street.

NAIC Offers Fund Film

A radical departure from the traditionally conservative method of telling a "Wall Street" story was revealed today with the release of "The Hope That Jack Built," an animated motion picture in Technicolor.

This eight minute film, sponsored by the National Association of Investment Companies, tells the story of Jack and Penny Saver and what they did with a little bit of money that was left over from their family budget. Departing from the familiar educational pattern, the picture develops a complete story line and in a gay way carries a set of highly stylized characters to the horse races, the stock market and into the story of investing.

Produced for the Association by Robert Lawrence Productions, Inc., the film's credits list some of the most widely acclaimed creative talent in the animated film industry. The picture features an original musical score and employs a number of unusual animation techniques. Because of the film's high entertainment value, 35 mm prints will be made available to motion picture theaters for inclusion in their regular programs. It will also be entered in all motion picture competitions which make awards to sponsored films.

Black and white 16 mm prints will later be offered free of charge to all television stations and color prints will be made available at cost to investment brokers and dealers and NAIC member companies for screening before church, social, business and club groups. Information about renting or purchasing prints may be obtained from The National Association of Investment Companies, 61 Broadway, New York 6, New York.

Federal Land Banks Offer Two Bond Issues

The 12 Federal Land Banks offered publicly yesterday (June 26) $123,000,000 of 4⅜% bonds due July 15, 1958 and $60,000,000 of 4⅝% bonds due July 15, 1969. The 4⅜s of 1958 are being offered at 99⅞%, and the 4⅝s of 1969 at 100%. These new consolidated bonds will be dated July 15, 1957.

The offering is being made through the banks' fiscal agent, John T. Knox, 130 William Street, New York City, with the assistance of a nationwide dealer and banker group. The proceeds will be used to redeem $135 million of 3¾% bonds maturing July 15, 1957, to repay borrowing from commercial banks, and for lending operations.

The Federal Land Banks make long-term loans to farmers through 1,100 national farm loan associations on the security of first mortgages. The local associations are owned entirely by farmers. The associations in turn own all of the stock of Federal Land Banks. Farmers have about $102,000,000 invested in the banks. The banks have accumulated reserves and surplus of $266,000,000.

Now Washington Planning

NEW YORK CITY, N. Y.—The firm name of Services Securities Agency, Inc., 52 Broadway, New York City, has been changed to Washington Planning Corp. The firm maintains a branch in the Fiber Building, Tucson, Ariz.

With Irving Lundborg

(Special to The Financial Chronicle)

MENLO PARK, Calif. — Winfield S. Bauman and James A. Graham have become connected with Irving Lundborg & Co., 1134 Chestnut Street. Mr. Graham was previously with J. Earle May & Co.

Kerr-McGee Oil, Inc. Securities Offered

A group headed by Lehman Brothers and Straus, Blosser & McDowell on June 25 offered to the public $20,000,000 of Kerr-McGee Oil Industries, Inc. 5¼% sinking fund debentures due June 1, 1977 (with common stock purchase warrants attached) and 220,000 shares of the company's common stock. The warrants entitle holders to purchase five shares of common stock for each $1,000 debenture at $80 a share from April 1, 1958 to June 30, 1964. The debentures are priced at 100% and accrued interest and the common stock is priced at $70.75 a share.

Net proceeds from the sale of the securities will be added to the general funds of Kerr-McGee and be available for capital expenditures, for retirement of bank loans and for other corporate purposes. The company plans to apply part of the proceeds to the immediate retirement of $15,418,329 bank loans.

Sinking fund provisions require the company (a) on June 1, 1962-1966, inclusive to provide for the retirement of a minimum of $800,000 principal amount of debentures, which annual amount may be increased to a maximum of $1,600,000 at the option of the company and (b) on June 1, 1967-1976 to provide for the retirement of $1,200,000 principal amount annually which, optionally, may be increased to a maximum of $2,400,000 annually. For the sinking fund the debentures will be redeemable at 100%. The debentures also are redeemable at the election of the company at prices ranging from 105½% and at decreasing prices thereafter.

Total consolidated operating revenues during the eight months ended Feb. 28, 1957 were $71,143,605 compared with $57,734,931 in the eight months ended Feb. 29, 1956. Net income in the respective periods was $4,490,943 and $2,912,389, equal after preferred dividends to $1.93 and $1.34 a share on the common shares outstanding at the end of the periods. For the fiscal year ended June 30, 1956 operating revenues totaled $89,762,959 compared with $45,200,499 in the preceding fiscal year, and net income in the respective years was $4,679,994 and $2,484,867.

Kerr-McGee Oil Industries, Inc. is an integrated, independent petroleum company, marketing gasoline and allied products under the Deep Rock and Kermac brands and oil, greases and allied specialties under the Wanda brand. Kerr-McGee, in addition, is one of the major contract drilling companies, specializing in off-shore drilling, largely in the Gulf of Mexico. The company and Kermac Nuclear Fuels Corp., a subsidiary, are engaged in the exploration for and mining, milling and concentrating of uranium bearing ores.

Halsey, Stuart Group Sells Erie Equipments

Halsey, Stuart & Co. Inc. and associates on June 21 offered $2,925,000 of Erie Railroad Co. 4¾% equipment trust certificates, maturing annually, July 15, 1958 to 1972, inclusive. The certificates were priced to yield from 4.50% to 4.75%, according to maturity.

The certificates will be secured by 300 gondola cars and 100 covered hopper cars, estimated to cost $3,759,700.

Associated in the offering are: Dick & Merle-Smith; R. W. Pressprich & Co.; Freeman & Co.; Shearson, Hammill & Co. and McMaster Hutchinson & Co.

Railroad Securities

By GERALD D. McKEEVER

Illinois Central R. R.

One of the most distasteful jobs that can be thrust upon a board of directors is to back-track on a dividend rate that has only quite recently been increased. This offers one ray of hope of avoidance of early action at least and may be of some source of cheer to those who are nevertheless concerned by the sharp decline in the earnings of the Illinois Central this year, and which led to the recent statement of the road's President that, in view of this trend, directors will give close scrutiny to dividend policy at their August meeting. At the same time, President Wayne Johnson placed the road's net income at the equivalent of $2.30 per share for the first half of this year as against $3.47 for the corresponding 1956 period.

This represents a considerable worsening of the trend in the second quarter even though first quarter results were disappointing enough, having fallen short by just over $500,000 of the road's estimate of $4½ million for the period which itself was some 13½% below the $5.2 million earned in the first quarter of 1956. However, the recently disclosed estimate of $2.30 per share for the first half of the current year represents a 34% drop from the corresponding 1956 figure.

There was some "raising of the eyebrows" on the part of the more skeptical when the dividend rate was increased to $4 in the final quarter of last year in spite of evidence of higher costs and a tapering off of traffic. Admittedly the previous $3.50 rate looked like a proportionately low "pay-out" compared to 1955 earnings of $8.55 per share as adjusted to the 3,103,348 shares outstanding at the 1956 year-end and which reflects the increase of 20,403 shares during the year. However, earnings for 1956 turned out to be lower, having amounted to $7.66 per share. The downward trend was abundantly confirmed when the road failed to fulfill even the $4½ million estimate for the first quarter of this year, which itself represented such a large drop from the similar 1956 figure. The reason given for the decline was the not unfamiliar one that, even with the freight rate increases of last December 28 affecting some 80% of the road's freight revenue, the gain, estimated at about $10.3 million annually by the road was insufficient to offset rising expenses, especially in view of the decline in traffic. The 5% increase for roads operating in southern territory and which applied to the balance of the revenues of the Illinois Central was not granted until Feb. 23.

The second part of the increase was too late to be of much avail for the first quarter, but the results for the second quarter were even worse despite the full effectiveness of the increase, less "hold-downs," in the latter period. Hold-downs are an important factor for the Illinois Central since they apply to coal, and this commodity is a most important one for this road, having represented over 41% of its total tonnage in 1956. Mostly as a result of hold-downs and rate adjustments to retain traffic, particularly against low-rate Mississippi River barge competition, freight revenues of the Illinois Central showed an increase of only 3% in 1956 as against the nominal increase of some 4.8% arising from the 6% increase of March 6, 1956 but which consequently were in effect for only about 80% of the year. The average freight rate increase based on the ton-mile rate was actually 3.68% but this was offset at least to a small extent by the 0.78% drop in ton-mileage for the year as the result of the loss of some longer haul traffic. The average haul declined to 245.49 miles in 1956 as against 253.33 miles in the previous year.

The decline in the road's traffic thus far in the present year has been about evenly divided between coal and miscellaneous manufactured goods which, together, make up the bulk of Illinois Central's traffic as measured by carloadings. The only bright spot has been the gain in grain movement which was quite general during the first quarter, but this has shown some signs of tapering off in the case of the Illinois Central. Nevertheless, total carloadings have recently begun to make a slightly more favorable showing comparison with the 1956 weeks, the decline for the five weeks ended June 1 having been 6.7% as against 7.1% for the Class I average whereas the decline for the 22 weeks ended June 1 was 7.5% as compared with 6.1% for Class I.

Any improvement will be too late, however, to help results for the first half as the previously mentioned official estimate indicates. The freight rate increase has not stemmed the downtrend of revenues, and five months' gross revenues showed a decline of 0.6% from the figure for the like 1956 period whereas the corresponding comparison for the first four months was a standoff. Net income for the first five months of this year amounted to $1.98 per share as against $2.96 for the first four months of last year. The President's estimate of $2.20 per share for the first half of the current year would place June earnings at only 34 cents per share, or almost identical with the April and May results. Hence the concern for the dividend rate.

In the midst of all this, Illinois Central stock has declined some 20% from this year's high of 63⅜, a proportionate drop greatly in excess of anything among the rails of the investment class into which the Illinois Central has worked itself mostly as the result of the magnificent job it achieved in reducing and consolidating its bonded debt. At the current level in the low 50's, Illinois Central stock has easily discounted a cut-back in the dividend to the previous $3.50 rate, if not lower, even if immediate action in this direction might conceivably be avoided, depending on how much and how soon further freight rate increases are received under the pending ex Parte 206 action. If only a 5% boost should be granted, it ought to mean something like another $10,000,000 to $12,000,000 annually, judging by the road's estimate of the effect of the Dec. 28-Feb. 23 increase of the same 5% nominal amount. This would be equivalent to something between $3.25 and $3.85 per share before taxes but, since a decision is not expected before some time in August, only about a third of this at most would come in 1957.

Peterson & Co. Opens

HOUSTON, Tex. — Peterson & Company has been formed with offices at 3511 South Main Street, to engage in a securities business.

Now Bertner Bros.

The firm name of Bertner Brothers Securities Corporation has been changed to Bertner Bros., Inc. The company has removed its offices to 37 Wall St., New York City.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	June 30	§86.7	*85.2	88.0	85.9
Equivalent to—					
Steel ingots and castings (net tons)	June 30	§2,220,000	*2,181,000	2,252,000	2,114,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	June 14	7,294,050	7,337,950	7,511,100	7,065,650
Crude runs to stills—daily average (bbls.)	June 14	¶7,727,000	8,080,000	8,131,000	7,953,000
Gasoline output (bbls.)	June 14	27,254,000	27,966,000	27,057,000	27,363,000
Kerosene output (bbls.)	June 14	1,722,000	2,063,000	1,875,000	2,034,000
Distillate fuel oil output (bbls.)	June 14	11,846,000	12,460,000	13,603,000	12,044,000
Residual fuel oil output (bbls.)	June 14	7,645,000	8,341,000	7,798,000	7,563,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	June 14	191,601,000	193,565,000	196,383,000	181,487,000
Kerosene (bbls.) at	June 14	26,787,000	*26,148,000	22,854,000	23,793,000
Distillate fuel oil (bbls.) at	June 14	106,171,000	101,789,000	86,830,000	84,996,000
Residual fuel oil (bbls.) at	June 14	42,870,000	41,246,000	39,426,000	37,319,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	June 15	746,125	733,477	722,521	801,42
Revenue freight received from connections (no. of cars)	June 15	612,560	580,704	615,799	646,926
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	June 20	$370,829,000	$417,704,000	$338,914,000	$443,517,000
Private construction	June 20	185,672,000	174,747,000	193,873,000	305,516,000
Public construction	June 20	185,157,000	242,957,000	145,041,000	138,001,000
State and municipal	June 20	136,014,000	207,924,000	96,003,000	113,166,000
Federal	June 20	49,143,000	35,033,000	49,038,000	24,835,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	June 15	10,300,000	10,020,000	9,605,000	10,122,000
Pennsylvania anthracite (tons)	June 15	612,000	602,000	509,000	538,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	June 15	129	*125	120	131
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	June 22	12,337,000	11,958,000	11,574,000	11,478,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	June 20	241	265	309	245
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	June 18	5.670c	5.670c	5.670c	5.179c
Pig iron (per gross ton)	June 18	$64.56	$64.56	$64.56	$60.2
Scrap steel (per gross ton)	June 18	$56.17	$54.83	$47.17	$44.83
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	June 19	29.050c	31.200c	31.525c	45.250c
Export refinery at	June 19	28.400c	29.000c	29.375c	40.875c
Lead (New York) at	June 19	14.000c	14.000c	15.000c	16.000c
Lead (St. Louis) at	June 19	13.800c	13.800c	14.800c	15.800c
‡Zinc (delivered) at	June 19	11.500c	11.500c	12.000c	14.000c
Zinc (East St. Louis) at	June 19	11.000c	11.000c	11.500c	13.500c
Aluminum (primary pig, 99%) at	June 19	25.000c	25.000c	25.000c	24.000c
Straits tin (New York) at	June 19	98.250c	98.250c	98.250c	94.750c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	June 25	86.44	86.52	88.91	94.56
Average corporate	June 25	92.93	93.52	95.47	104.66
Aaa	June 25	96.54	97.16	99.52	108.34
Aa	June 25	95.47	96.07	98.57	106.56
A	June 25	94.12	94.56	96.07	104.31
Baa	June 25	86.38	86.78	88.13	99.84
Railroad Group	June 25	91.34	91.91	93.97	103.30
Public Utilities Group	June 25	94.56	95.01	96.07	104.83
Industrials Group	June 25	93.23	93.67	96.23	106.04
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	June 25	3.67	3.67	3.44	2.9
Average corporate	June 25	4.21	4.17	4.04	3.4
Aaa	June 25	3.97	3.93	3.78	3.2
Aa	June 25	4.04	4.00	3.84	3.36
A	June 25	4.13	4.10	4.00	3.4
Baa	June 25	4.68	4.65	4.55	3.70
Railroad Group	June 25	4.32	4.28	4.14	3.58
Public Utilities Group	June 25	4.10	4.07	4.00	3.46
Industrials Group	June 25	4.19	4.16	3.99	3.39
MOODY'S COMMODITY INDEX	June 25	425.2	427.1	411.7	414.9
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	June 15	254,633	323,485	255,800	235,16
Production (tons)	June 15	287,444	263,469	286,720	289,328
Percentage of activity	June 15	94	86	95	99
Unfilled orders (tons) at end of period	June 15	419,664	455,338	423,348	497,608
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	June 21	110.22	110.33	110.35	108.05
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	June 1	1,248,990	1,522,200	1,600,480	1,227,600
Short sales	June 1	219,690	302,960	287,560	265,90
Other sales	June 1	1,043,990	1,227,510	1,301,700	1,176,950
Total sales	June 1	1,263,680	1,530,470	1,589,260	1,442,850
Other transactions initiated on the floor—					
Total purchases	June 1	211,520	271,780	339,970	178,150
Short sales	June 1	15,800	14,700	19,550	17,700
Other sales	June 1	218,520	296,880	305,850	192,950
Total sales	June 1	234,320	311,680	325,400	210,650
Other transactions initiated off the floor—					
Total purchases	June 1	371,930	543,230	582,304	476,604
Short sales	June 1	102,450	104,960	118,840	40,090
Other sales	June 1	387,990	510,6 0	[illegible]	[illegible]
Total sales	June 1	490,040	615,640	754,108	557,577
Total round-lot transactions for account of members—					
Total purchases	June 1	1,832,440	2,337,210	2,522,754	1,882,354
Short sales	June 1	337,940	422,620	425,950	323,690
Other sales	June 1	1,650,500	2,035,070	2,242,818	1,887,387
Total sales	June 1	1,988,440	2,457,690	2,668,768	2,211,07
STOCK TRANSACTIONS FOR ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON N. Y. STOCK EXCHANGE — SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)—†					
Number of shares	June 1	1,040,077	1,279,631	1,356,428	1,093,39
Dollar value	June 1	$58,590,113	$67,445,684	$69,649,842	$55,850,219
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	June 1	887,430	1,184,497	1,174,170	780,237
Customers' short sales	June 1	7,490	8,674	7,406	6,078
Customers' other sales	June 1	879,940	1,175,823	1,166,764	774,159
Dollar value	June 1	$44,688,041	$59,018,009	$59,467,289	$40,421,355
Round-lot sales by dealers—					
Number of shares—Total sales	June 1	237,090	353,590	307,750	175,680
Short sales	June 1	------	------	------	------
Other sales	June 1	237,090	353,590	307,750	175,680
Round-lot purchases by dealers—					
Number of shares	June 1	354,260	430,160	454,620	483,540
TOTAL ROUND-LOT STOCK SALES ON THE N. Y. STOCK EXCHANGE AND ROUND-LOT STOCK TRANSACTIONS FOR ACCOUNT OF MEMBERS (SHARES):					
Total round-lot sales—					
Short sales	June 1	428,110	507,570	524,130	427,710
Other sales	June 1	8,802,590	11,432,460	11,890,590	8,703,810
Total sales	June 1	9,230,700	11,940,030	12,414,720	9,131,520
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	June 18	117.3	117.5	117.2	114.0
Farm products	June 18	90.7	*90.9	89.7	90.7
Processed foods	June 18	105.2	*106.3	105.3	101.9
Meats	June 18	92.6	96.5	91.7	79.4
All commodities other than farm and foods	June 18	125.3	125.3	125.2	121.4

*Revised figure. ¶Includes 1,008,000 barrels of foreign crude runs. §Based on new annual capacity of 133,459,150 tons as of Jan. 1, 1957, as against Jan. 1, 1956 basis of 128,363,090 tons. †Number of orders not reported since introduction of Monthly Investment Plan. ‡Prime Western Zinc sold on delivered basis at centers where freight from East St. Louis exceeds one-half cent a pound.

	Latest Month	Previous Month	Year Ago
BANK DEBITS—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—Month of May (in thousands)	$197,181,000	$192,492,000	$185,584,000
BUILDING PERMIT VALUATION — DUN & BRADSTREET, INC.—215 CITIES—Month of May:			
New England	$28,928,277	$23,288,176	$26,774,123
Middle Atlantic	109,067,241	131,698,857	118,566,051
South Atlantic	47,561,873	51,427,308	57,389,673
East Central	120,383,300	113,863,048	144,388,829
South Central	84,473,659	82,445,303	60,481,087
West Central	35,294,927	38,470,442	39,352,525
Mountain	20,289,611	20,335,761	22,545,547
Pacific	114,620,679	128,291,173	96,616,199
Total United States	$560,619,567	$587,820,268	$596,114,034
New York City	63,632,718	83,437,287	70,889,351
Outside New York City	496,986,849	504,382,981	525,224,683
BUSINESS FAILURES—DUN & BRADSTREET, INC.—Month of May:			
Manufacturing number	205	199	245
Wholesale number	132	115	118
Retail number	600	580	575
Construction number	181	172	132
Commercial service number	82	118	94
Total number	1,200	1,175	1,164
Manufacturers' liabilities	$14,888,000	$16,286,000	$28,450,000
Wholesale liabilities	6,430,000	11,855,000	5,713,000
Retail liabilities	15,686,000	15,994,000	13,242,000
Construction liabilities	10,820,000	9,090,000	8,877,000
Commercial service liabilities	4,728,000	3,878,000	3,619,000
Total liabilities	$52,552,000	$57,103,000	$59,901,000
CASH DIVIDENDS—PUBLICLY REPORTED BY U. S. CORPORATIONS—U. S. DEPT. OF COMMERCE—Month of May (000's omitted)	$300,000	$762,300	$288,900
COMMERCIAL PAPER OUTSTANDING—FEDERAL RESERVE BANK OF NEW YORK—As of May 31 (000's omitted)	$483,000	$466,000	$515,000
CONSUMER PRICE INDEX — 1947-49=100—Month of April:			
All items	119.3	118.9	114.9
Food	113.8	113.2	109.6
Food at home	112.1	111.4	107.9
Cereals and bakery products	130.1	129.8	124.5
Meats, poultry and fish	102.0	100.6	94.0
Dairy products	110.5	110.7	106.4
Fruits and vegetables	118.7	116.1	116.7
Other foods at home	111.0	111.6	110.8
Housing	125.2	124.9	120.8
Rent	134.5	134.4	131.7
Gas and electricity	112.4	112.4	111.8
Solid fuels and fuel oil	138.1	139.2	129.7
Housefurnishings	105.1	104.9	102.7
Household operation	126.4	126.2	122.1
Apparel	106.5	106.8	104.8
Men's and boys'	108.6	108.8	106.5
Women's and girls'	98.7	99.3	98.1
Footwear	127.3	127.6	123.0
Other apparel	92.0	92.2	91.1
Transportation	135.5	135.1	126.4
Public	176.8	175.8	170.8
Private	125.5	125.2	116.5
Medical care	136.9	136.4	131.6
Personal care	123.3	122.9	119.5
Reading and recreation	111.8	110.5	108.2
Other goods and services	124.2	124.2	121.4
METAL PRICES (E. & M. J. QUOTATIONS)—May:			
Copper—			
Domestic refinery (per pound)	31.288c	31.517c	45.531c
Export refinery (per pound)	29.448c	29.775c	43.118c
††London, prompt (per long ton)	£237,870	£241,956	Not Avail.
††Three months, London (per long ton)	£238,060	£242,788	Not Avail.
Lead—			
Common, New York (per pound)	15.385c	16.000c	16.000c
Common, East St. Louis (per pound)	15.185c	15.800c	15.800c
††Prompt, London (per long ton)	£99.462	£111.872	£111.545
††Three months, London (per long ton)	£99.804	£111.703	£109.847
Zinc (per pound)—East St. Louis	11.923c	13.500c	13.500c
§§Zinc, Prime Western, delivered (per pound)	12.423c	14.000c	14.000c
††Zinc, London, prompt (per long ton)	£85.777	£98.375	£94.818
††Zinc, London, three months (per long ton)	£82.413	£94.669	£92.881
Silver and Sterling Exchange—			
Silver, New York (per ounce)	91.307c	91.375c	90.750c
Silver, London (per ounce)	79.223d	79.869d	78.892d
Sterling Exchange (check)	$2.79096	$2.78885	$2.80758
Tin, New York Straits	98.409c	99.452c	97.038c
Gold (per ounce, U. S. price)	$35.000	$35.000	$35.000
Quicksilver (per flask of 76 pounds)	$255.000	$225.000	$265.231
¶Antimony, New York boxed	36.590c	36.590c	36.470c
Antimony (per pound), bulk Laredo	33.000c	33.000c	33.000c
Antimony (per pound), boxed Laredo	33.500c	33.500c	33.500c
Platinum, refined (per ounce)	$92.000	$92.692	$104.154
†Cadmium, refined (per pound)	$1.70000	$1.70000	$1.70000
‡Cadmium (per pound)	$1.70000	$1.70000	$1.70000
§Cadmium (per pound)	$1.70000	$1.70000	$1.70000
Cobalt, 97% grade	$2.00000	$2.00000	$2.60000
Aluminum, 99% grade ingot weighted average (per pound)	27.100c	27.100c	25.900c
Aluminum, 99% grade primary pig	25.000c	25.000c	Not Avail.
Magnesium ingot (per pound)	35.250c	35.250c	33.750c
**Nickel	74.000c	74.000c	64.500c
Bismuth (per pound)	$2.25	$2.25	$2.25
RUBBER MANUFACTURERS ASSOCIATION, INC.—Month of April:			
Passenger Tires (Number of)—			
Shipments	8,104,362	*8,006,608	7,847,366
Production	7,878,438	*8,630,008	7,530,179
Inventory	17,821,312	*18,067,612	17,648,978
Truck and Bus Tires (Number of)—			
Shipments	1,276,829	*1,107,088	1,271,262
Production	1,071,623	*1,135,649	1,303,367
Inventory	3,486,248	*3,675,082	3,482,978
Tractor-Implement Tires (Number of)—			
Shipments	380,796	349,726	323,347
Production	282,271	318,370	278,929
Inventory	669,130	758,498	842,801
Passenger, Motorcycle, Truck and Bus Inner Tubes (Number of)—			
Shipments	3,104,148	3,397,399	2,797,242
Production	3,427,612	3,821,887	3,094,185
Inventory	6,968,638	6,539,561	7,311,755
Tread Rubber (Camelback)—			
Shipments (pounds)	33,945,000	31,298,000	29,073,000
Production (pounds)	33,768,000	30,530,000	26,958,000
Inventory (pounds)	30,494,000	30,713,000	26,258,000

*Revised figure. †Based on the producers' quotation. ‡Based on the average of the producers' and platers' quotations. §Average of quotation on special shares to plater. ¶Domestic five tons or more but less than carload lot boxed. §§Delivered where freight from East St. Louis exceeds 0.5c. **F.o.b. Fort Colburne, U. S. duty included. ††Average of daily mean and bid and ask quotation at morning session of London Metal Exchange.

Our Reporter's Report

Sentiment was a trifle better around the corporate new issue market this week, but few, if any, were willing to stand up and cheer real loud. The seasonal market has experienced a mild recovery from the recent lows.

This upturn came in the wake of the decidedly successful flotation of Southern Bell Telephone & Telegraph Co.'s offering, with the apparent demand sufficient to blast away some of the gloom that had been overhanging.

And with the limited markup in the price level of the corporate list, the Treasury market, especially the long-end, experienced a bit of a turn. Late last week, with the spread between government and corporate yields having widened well beyond what is viewed as normal, there was a disappearance of bids for Treasurys which let the list down sort of hard.

But the government's ran into somewhat better demand early this week and as time progressed the more or less normal yield relationship appeared to have been pretty well reestablished.

The continuous flow of discussion of inflation from both sides of the fence is tending to keep things in a state of turmoil. But the Federal Reserve Board, which is the bellwether of Administration forces in this phase of things, has been sticking to its guns.

The feeling is that a markup in the bank rate at this time should not prove too disturbing since it would be little more than recognition of the new firmness that has developed in other parts of the money market.

Paying the Freight

Another public utility company, Puget Sound Power & Light Co., had to accept a 6¼% interest rate in order to market $20 million of its bonds this week. Bankers paid the company a price of 101.559 and reoffered at 103.459 for a yield of 6%.

The coupon is the highest paid for new money since the early 1930's and marks the third time in a brief period that it has been paid by corporate issuers. Michigan Wisconsin Pipe Line and Michigan Consolidated Gas Co. both accepted that rate recently.

One other group bid for the Puget Sound issue, naming a 6⅛% coupon, while a third bidder specified a 6½% interest rate.

It's A Buyer's Market

There's no question about buyers having the leg up in the bond market at the present time. One after another, potential borrowers have been moving to "sweeten up" their proposals to assure acceptable bids.

Originally, Wisconsin Telephone Co. had fixed a redemption price of 105 for the first five years on its projected $30 million of 35-year debentures. But evidently after taking a new look at things it decided to revise the borrowing terms. Bids are due July 9.

Among other things, it plans to make the redemption price 110 for the first five years and adjust other phases in keeping with that move.

July Fourth Slowdown

The underwriting fraternity became quickly aware of next week's Fourth of July holiday by a look at the new issue calendar for the period.

After the recent flurry of activity in face of stiffening borrowing costs, the pace of corporate demand is slowing almost to a halt as a consequence of the holiday.

Only two debt issues of any size, Southern California Edison Co.'s $40 million of 25-year, first and refunding bonds and Rochester Gas & Electric's $15 million of 30-year first mortgage bonds are due up for bids.

Mountain States Telephone & Telegraph is slated to open subscriptions on "rights" for 584,176 shares of stock to holders of record June 20 in the ratio of one share for each five held, "rights" expiring July 31, and National Telefilm Associates, Inc. is due to offer $5 million of notes and 350,000 common stock.

Post-Holiday Pickup

Even though things are slated to pickup a bit after the holiday, the new issue roster clearly indicates that summer is upon us.

The calendar, a fortnight hence, reveals a potential total of over $136 million in corporate debt issues as likely to reach market.

But these, plus a smattering of equity issues, will be out of the way by mid-week, giving dealers time to work on shelf-stocks.

Harriman Ripley Group Offers Chance Vought Aircraft Debentures

Harriman Ripley & Co., Inc. and associates offered yesterday (June 26) $12,500,000 of Chance Vought Aircraft, Inc. 5¼% subordinated debentures due July 1, 1977 (convertible into common stock to and including July 1, 1967 at $40 a share). The debentures were priced at 100%, to yield 5.25%.

A substantial portion of the net proceeds from the sale of the debentures will be used to reduce short term bank loans presently outstanding in the amount of $30,000,000; the bank loans were incurred primarily to finance increased inventories and accounts receivable resulting from the continued growth of the company's business. This growth is evidenced by the company's unfilled orders which aggregated $508,000,000 on March 31 compared with $214,000,000 at the end of 1955 and $188,000,000 on Dec. 31, 1954.

The debentures carry a sinking fund which becomes operative Oct. 1, 1962 and is designed to retire at least 75% of the issue prior to maturity. For the sinking fund the debentures will be redeemable at par. They also will be redeemable at the option of the company at 105.25% if redeemed during the 12 months ended July 1, 1958 and thereafter at lower prices depending upon the date of redemption.

Chance Vought, which recently observed its 40th year of aircraft production, is a leading manufacturer of aircraft and guided missiles for the Navy. At the present time it is producing the F8U-1 Crusader, a supersonic, carrier-based fighter which set a national speed record of 1,015 miles per hour in 1956. It is also producing the Regulus I and Regulus II, surface to surface guided missiles which can be launched from submarines, surface ships or shore bases.

Pacific Finance Corp. Common Stock Offered

An underwriting group headed jointly by Blyth & Co., Inc. and Hornblower & Weeks offered publicly on June 25 a new issue of 164,604 shares of $10 par value common stock of Pacific Finance Corp. at $39.50 per share.

The company will add the proceeds to its working capital which may be used to reduce short-term bank loans. As of April 30, 1957, these short-term bank loans amounted to $157,190,000.

Pacific Finance, directly or through wholly-owned finance and insurance subsidiaries, is engaged primarily in automobile sales financing, direct lending to consumers on automobiles and other personal property, and the writing of insurance. The company and its subsidiaries have 312 branch offices in 19 states, Alaska and five provinces in Canada.

Net income in 1956, after preferred dividend requirements, amounted to $4,639,806, compared to $4,610,614 in 1955. Per share earnings last year totaled $4.28 on 1,083,883 shares outstanding, compared to $4.26 on 1,082,425 outstanding shares in 1955. In the first quarter of 1957, net income was reported as $1,446,330, equal to $1.33 a share on 1,085,059 shares outstanding, compared to net income of $1,082,619 in the first quarter of 1956, equal to $1 per share on 1,082,846 shares outstanding.

Quarterly dividends of 50 cent a share had been paid for the past five years, but they were raised to 60 cents a share in the second quarter of the current year.

Whitmore Bruce Formed

WASHINGTON, D. C. — Ralph E. Whitmore, Jr. and Duncan A. D. Bruce have formed Whitmore, Bruce & Co. with offices at 2512 Q Street, N. W. to engage in a securities business.

Saratoga Plastics Common Stock Sold

Reilly, Hoffman & Sweeney, Inc. on June 21 announced that the issue of 100,000 shares of Saratoga Plastics, Inc. common stock offered by them at $1.75 per share has been all sold. The stock is actively traded in the Over-the-Counter Market.

Saratoga Plastics, Inc. was incorporated Jan. 31, 1946 in New York. While located at Saratoga, N. Y. the company was engaged almost exclusively in the capacity of a custom plastics moulder and extruder for various manufacturing concerns. Because of its purchase of the assets of J. G. Baldwin Co., Inc., of Bellows Falls, Vt., the company was able to enter the cable assembly and processing field.

Operating in its new facility at North Walpole, N. H., Saratoga Plastics, Inc. furnishes various specialized services to end-product manufacturers. Essentially, the company operates two divisions—a molding plant, producing complex and highly precisioned compression molded parts for electrical equipment and electronic equipment manufacturers—and an assembly plant, manufacturing electrical harness riggings and other detailed parts of an electronic character for many United States Government divisions and for an ever growing list of industrial users.

The net proceeds from the sale of these shares have been used to increase working capital and may be used for capital expenditures.

Form Plymouth Securities

RIVERDALE, N. Y.—Plymouth Securities Corp. has been formed with offices at 2727 Palisades Avenue to engage in a securities business. Officers are Franklyn I. Steinberg, President and Treasurer, N. G. Steinberg, Vice-President and Secretary.

Kettering, Frankel Co.

PITTSBURGH, Pa. — Kettering Frankel & Co., Inc. has been formed with offices at 204 Smithfield to engage in a securities business. Jesse E. Kettering is a principal in the firm.

Aetna Secs. Branch

SOUTH MIAMI, Fla. — Aetna Securities Corporation has opened a branch office at 5832 Sunset Drive under the direction of L. Blanche Bowen.

Coburn Middlebrook Br.

EAST HARTFORD, Conn. — Coburn & Middlebrook, Incorporated, has opened a branch office at 415 Main Street under the direction of David Moseley.

New White Weld Branch

BALTIMORE, Md. — White, Weld & Co. has opened a branch office at 18 East Lexington Ave. under the management of John A. Brady.

With Townsend, Dabney

PORTLAND, Maine — John M. Brewer, Jr., is with Townsend, Dabney & Tyson, 184 Middle Street.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—George Humphrey, Secretary of the Treasury, has struck out hard against some of the fondest, entrenched suppositions of the "liberals," both Republican and Democratic. He did this in his appearance before the Senate Finance Committee in its inquiry into the financial condition of the United States.

One of the main hypotheses of "liberal" dogma is that the desistance of the Federal Reserve System from manufacturing bank credit has sharply depressed both school construction and municipal borrowing generally.

"In the past four years a quarter of a million new school rooms have been built for our youngsters," said Mr. Humphrey." Total public construction in 1956 was 23% above 1952 levels, and educational construction up 56%." The Secretary avoided mentioning that Federal aid for school construction was a major Eisenhower program.

Other factors cited on this subject by the Secretary included: During 1956 new borrowings by states and municipalities alone were $5.4 billion. During the last nine months for which figures are available more bonds to finance elementary and secondary schools were sold than in any 9-month period in the nation's history.

State and municipal financing has increased by $18.8 billion in the past four years, more than it has increased in any other four-year period, he said.

Corporate Profits

"Labor income has not only risen in dollars," said the Secretary, "it has increased from 67.2% of national income in 1952, to 69.8% in 1956 (while corporate profits declined from 12.7% of national income, to 11.9%)," he added. Another "liberal" dogma is that the corporations are getting richer at the expense of labor.

Housing Costs

Secretary Humphrey deprecated higher interest costs as a major factor in depressing housing construction volume this year.

"Housing is perhaps the most dramatic example of the effect of rising costs," he stated. "Hourly wage rates in building construction have risen 21% in the past four years." He added that in some industries better tools had tended to offfset rising labor costs.

"However, in those fields in which mechanization is not practicable or in which restrictive practices or legal requirements have prohibited maximum efficiency, the cost of the finished product has risen in close relation to the increase in hourly wage rates. There is no better example of this than housing," Mr. Humphrey asserted.

Bank Credit Increase

Another "liberal" hyothesis is that bank credit has been restricted in growth.

"The Federal Reserve Board has not reduced the volume of available credit," the Secretary explained. "Some current discussions of Federal Reserve policy proceed on the mistaken assumption that the Federal Reserve has reduced the amount of credit below an amount previously available. Nothing could be further from the truth. Credit in the aggregate, the aggregate of new savings and new bank credit, has expanded substantially in the last four years, and at a rate fully equal to the need," he declared. Credit now outstanding, he said, is $146.5 billion more than in 1952.

Committee Objectives

Hearings thus far have given what looks like a clear idea of what the Senate Finance Committee's objectives are.

First and foremost, it is an effort by Chairman Harry Byrd (D., Va.) to call detailed attention to what he terms the unsoundness of present fiscal policy. The Senator epitomized his viewpoint one day by suggesting that the Federal Government was running out of both taxing power and borrowing power, and that the country would go over a financial precipice if policies were not changed.

Second, it is the Senate "liberal" effort to make an issue out of the "tight money and high interest rates." This was publicly and vigorously backed by Senator Lyndon Johnson of Texas, the Democratic leader.

Humphrey Problem

George Humphrey is obviously having trouble carrying off his role of being the prisoner under torture at the stake. Mr. Humphrey both publicly, and it is said privately, takes the view he is not resigning because of disagreement with President Eisenhower's fiscal policies. He just suddenly found that National Steel needed his services so much more than the government. It is probable that if progress were being made toward cutting expenses and reducing taxes, instead of the opposite, the opportunities of National Steel might not have appeared so relatively imperative to Mr. Humphrey.

Nevertheless, the Secretary has been trying to hold up the Eisenhower Administration record of accomplishment for "reducing the debt" and "reducing expenses." In view of the statistics, this has become a difficult task for the Secretary of the Treasury, especially since Senator Bob Kerr (D., Okla.) has done his home work and is very good at using statistics himself.

It appeared to observers of the hearings that Senator Kerr was aiming to make a monkey out of Mr. Humphrey over the assertions of the latter on the Eisenhower record of fiscal accomplishments, before turning to light at Mr. Humphrey's feet, the fires of "tight money and high interest rates."

Anderson Position

In view of the fact that the Treasury obviously is going to have a more than normally difficult time in the months ahead, and in view of the fact that these problems of the Treasury would be dissipated if the Federal Reserve were to pump money into the banking system, that perhaps Robert B. Anderson might have somewhat differing views from his predecessor in the Treasury Secretaryship about the virtures of honest money.

If George Humphrey may have been less than a stellar success in persuading the Eisenhower Administration to go for lower spending and reduced taxes, Mr. Humphrey did, in the admission of most every one, achieve a success in another direction. He is believed to be chiefly responsible for persuading President Eisenhower to back Federal Reserve monetary policy. Mr. Humphrey is credited with being the most important single force in helping keep the President in line against monetary ease.

All that might someday be necessary for a change to be urged by the Administration on the Reserve System, would be for Mr. Anderson when he comes into the Treasury to merely avoid taking a vigorous stand for sound money, as vigorous a stand as Mr. Humphrey took.

Anderson, Humphrey, Agree

It may be reported that Mr. Anderson's views as he comes into the Treasury are all but identical with those of Mr. Humphrey on the support of the policy of the Federal Reserve. Mr. Anderson was recruited privately as long ago as last January by Mr. Humphrey, who really—not just for public assertion — has been trying to get out of the Treasury for almost two years.

Furthermore, no person in the White House Politbureau had any part in picking up Mr. Anderson to succeed Mr. Humphrey.

This, of course, is no guarantee that if the pressure gets very great, that there will never be any change in monetary grape nuts.

Holds Defense Spending

It is now reported that the Eisenhower Administration has reached a firm conclusion to hold U. S. Defense Department military spending in fiscal 1958 to a maximum of $38.5 billion.

That is behind the word passed by the Air Force that there will be a cut-back in aircraft procurement beginning about May 1958. Current airframe deliveries are said to be in the magnitude of 5 million pounds per week. These are expected to rise to a weekly rate of about 6.5 million pounds for the first few months of calendar 1958, after which a slow-down will reach toward 2.5 million pounds — also including missile frames—by or before 1962.

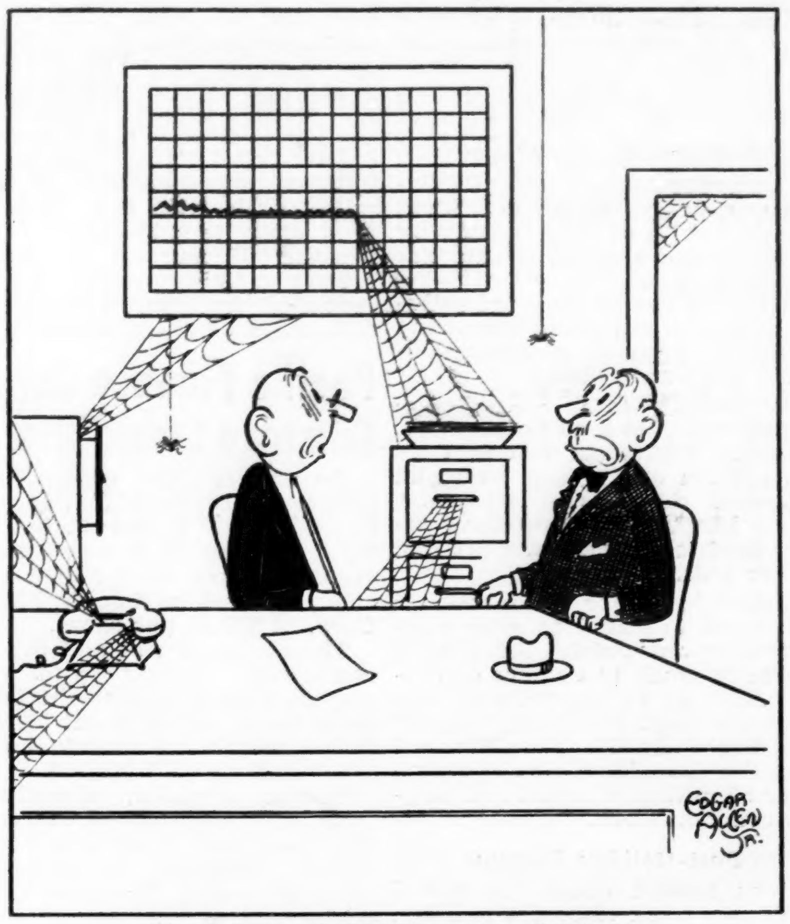
Up until several weeks ago, authoritative sources were saying that the U. S. must simultaneously build up **both** guided missiles and manned aircraft, that it would be in the range of about 10 years before guided missiles became so dependable that there could be a sharp phase-out of manned aircraft.

Now, as a result of the recognition of the inevitability of higher costs, the Administration is said to be planning to phase out manned aircraft much sooner.

Even if some agreement is reached with Russia stopping the production of super bombs, however, this is said to be unlikely to cut fiscal 1958 defense spending below $38.5 billion. Vast sums will still be spent to get the machinery to "deliver" if necessary the existing stockpile of super bombs. Furthermore, such an agreement will not diminish the drive to build up the use of tactical atomic weapons.

[This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.]

BUSINESS BUZZ



"And just what makes you think our markets are inactive?"

COMING EVENTS

In Investment Field

June 28, 1957 (New York City) Investment Association of New York annual outing at Apawamis Club, Rye, N. Y.

June 28, 1957 (New York City) Municipal Bond Women's Club of New York annual outing at Morris County Golf Club.

June 28, 1957 (New York City) Syndicats annual outing at the Nassau Country Club, Glen Cove, Long Island, New York.

Aug. 1-2, 1957 (Denver, Colo.) Bond Club of Denver-Rocky Mountain Group of IBA annual summer frolic and golf tournament at the Columbine Country Club.

Sept. 25-27, 1957 (Santa Barbara, Cal.) Investment Bankers Association Fall Meeting at Santa Barbara Biltmore.

Oct. 7-8, 1957 (San Francisco, Cal.) Association of Stock Exchange Firms Board of Governors meeting at Mark Hopkins Hotel.

Oct. 10-11, 1957 (Los Angeles, Calif.) Association of Stock Exchange Firms Board of Governors meeting at Beverly Hills Hotel.

Nov. 3-6, 1957 (Hot Springs, Va.) National Security Traders Association Annual Convention at the Homestead.

Dec. 1-6, 1957 (Hollywood Beach, Fla.) Investment Bankers Association Annual Convention at Hollywood Beach Hotel.

April 23-25, 1958 (Houston, Tex.) Texas Group Investment Bankers Association annual meeting at the Shamrock Hotel.

June 9-12, 1958 (Canada) Investment Dealers' Association of Canada annual convention at Manoir Richelieu, Murray Bay, Quebec.

Oct. 29-Nov. 3, 1958 (Colorado Springs, Colo.) National Security Traders Association Annual Convention at the Broadmoor.

Forms G. L. Sommer Co.

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—George L. Sommer is engaging in a securities business from offices in the Tudor Arms under the firm name of G. L. Sommer & Co.

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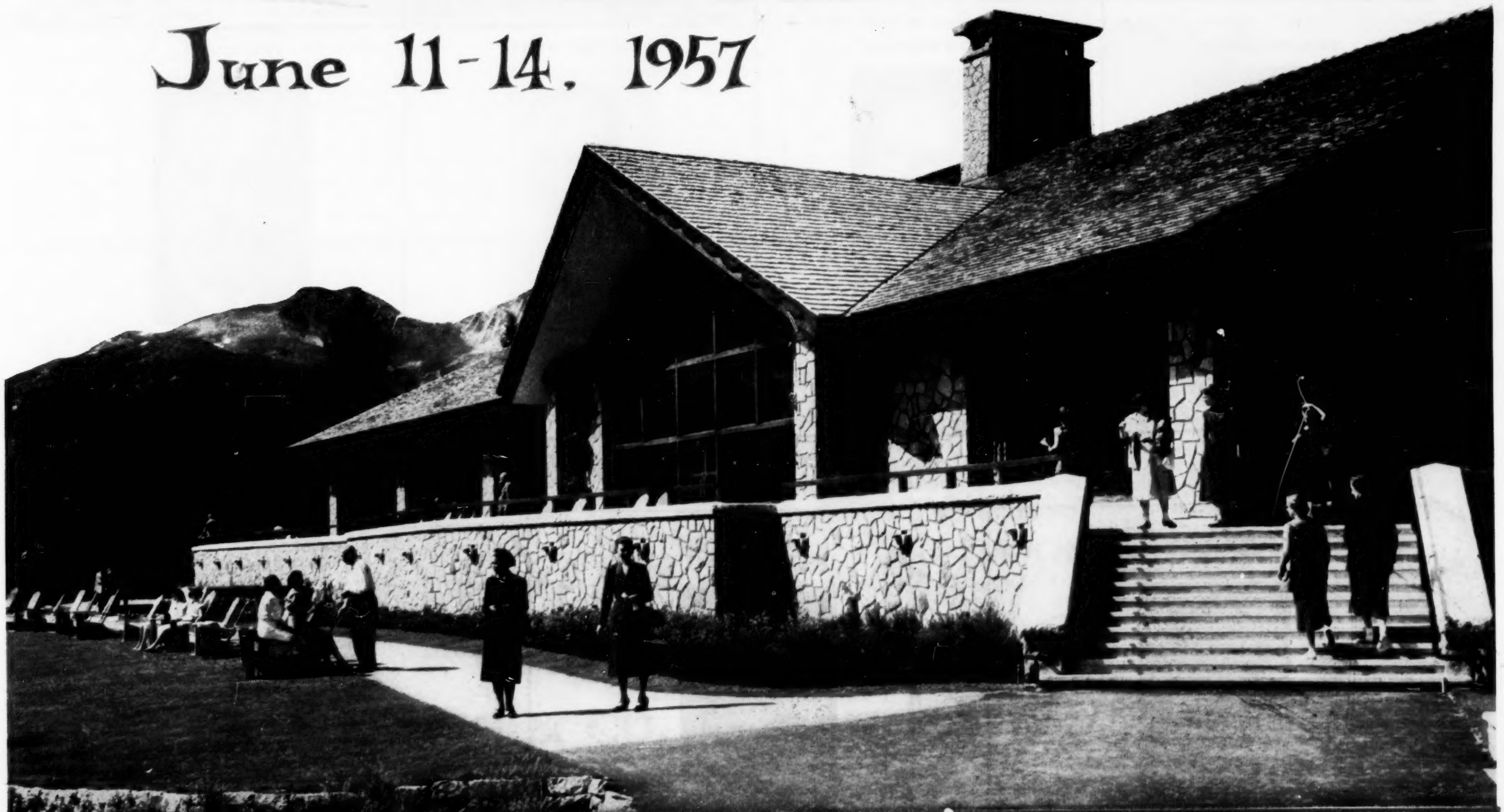

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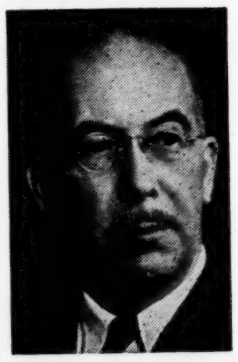

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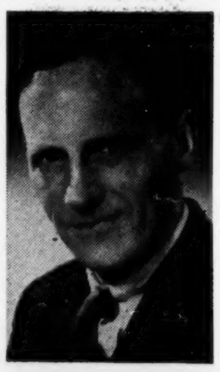

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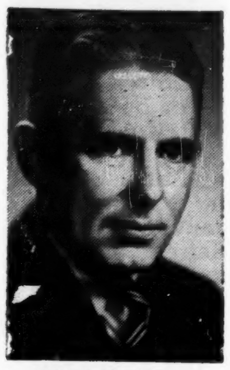
The Canadian Capital Markets

By N. H. GUNN*

President, Bell, Gouinlock & Company, Limited, Toronto

Retiring President, The Investment Dealers' Association of Canada

Mr. Gunn notes Canadian economy is on plateau of high-level activity; but with outlook somewhat clouded by rising wage costs, record-high taxes and squeezing of profits. Reports Canadians as enjoying greatest incomes in history, and seeking an ever-higher standard of living. Reports one-third increase in capital flotations during past year, along with gains in municipal financing, with markedly higher interest rates. Discloses institutional investors' switch from governments to higher-yielding issues. Notes Canadian buyers' turning to U. S. market, with enormous inflow of capital both through capital flotations and investments by U. S. parent companies of Canadian subsidiaries.



Nigel H. Gunn

As my year as President draws to a close the Canadian economy seems to be on a plateau of high-level activity with full employment and, despite a few soft spots, with general business well sustained. This plateau could well be a period of consolidation before a move to a still higher level of business activity, but as we look down the road ahead we see a few amber lights glowing. Wage costs are still moving upward. Taxes are at an all-time high. These two classical components of the cost of production are squeezing profits and facing management with a challenge in their responsibility for maintaining earnings at a high level.

From this high plateau let us pause and look back over the road which our industry has traversed during the past year:

The last 12 months have been busy ones for the members of our association. The period has seen intense activity and may well be regarded as one of the most interesting and significant years in the history of Canadian finance. Across the country increased population and industrial expansion are in evidence everywhere. Canadians, enjoying the highest income in our history, seek an ever-higher standard of living.

Capital Needs Increase

Our members were called upon to mobilize tremendous sums of capital for governments and industry. During 1956 new issues of provincial, municipal and corporate securities totalled $2.65 billion, as compared with $1.97 billion in 1955, an increase of over one-third. This volume of market financing, coupled with an insatiable demand for mortgage funds, both residential and commercial, greatly exceeded the increase in bank deposits which from the end of May 1956 until the latest figures available increased by only 4%. Interest rates on government and corporation debentures since we last met at St. Andrews-by-the-Sea have risen about 1 to ½%. Borrowers who were then paying 4 to 4½% for money are finding that now they must offer prospective lenders 5 to 6%.

In 1956 the Government of Canada sold three market issues totalling $650 million. Canada Savings Bonds, Series 11, were sold to an amount of $877 million. Treasury bills outstanding rose by $350 million, but all the six months treasury notes were withdrawn—a total of $500 million. On balance, Government of Canada securities outstanding fell by $780 million in the year ending Dec. 31, 1956.

1956 was an active year in provincial finance with more than twice as much new money being raised as in 1955. Municipal finance ran at about the same rate as 1955, but the first quarter of 1957 was running at a sharply increased pace — over three times that of the first quarter of 1956.

Corporate finance proceeded at an accelerated pace in 1956 with new issue financing rising from about $800 million to nearly $1.5 billion as corporations competed for funds in the capital market. This fast pace continued in the first quarter of 1957 with total financing nearly $100 million ahead of the first quarter of 1956.

Credit Restraint Continues

A year ago we were already in the midst of Central Bank "restraint" and this condition, as you well know, has continued to the present. Government accounts continue to be the principal buyer of long term Government of Canada issues although the combined published holdings of Bank of Canada and Government accounts held steady during the year. Insurance companies, pension funds and other investors were sellers and tended to add to their portfolios other and higher yielding securities.

Very marked has been the change in the relative value of short and long term bonds and debentures. For years short term securities sold at better prices, or lesser yields, than longer terms. During the last year this condition has reversed itself and at existing levels shorter term securities have become almost a drug on the market as those investors with money available try to ensure receiving present high rates for the longest possible term.

Worthy of note is the invasion of the short term money market by trust companies and finance companies both of whom offer attractive returns to those who have substantial sums of money to lend for limited periods of time. Corporation, provincial and municipal treasurers have become very aware of the facilities which now exist for the employment of money for very short periods of time. This development has undoubtedly tended to reduce the floating amount of non-interest bearing deposits in the chartered banking system.

Borrowing in United States

Many Canadian borrowers found it necessary or practical to turn to the U. S. market for all or part of their capital requirements. It is interesting to note that new issues of fixed income securities made in U. S. funds by provincial municipalities and corporations increased by approximately 400% in the calendar year 1956 over 1955. New issues represent only one avenue of foreign investment in Canada, and untold quantities of dollars have been invested in Canada by U. S. parent companies of Canadian subsidiaries. In two fields alone — iron and oil — the totals would be staggering. Foreign investors have been steady buyers of Canadian equities, particularly our natural resource companies. Canada is one of the few remaining havens of investment available and it is only this constant and heavy stream of foreign capital coming across our borders that offsets our trade deficit and has caused our dollar to sell at a consistent premium. The Canadian dollar, now at its highest point in 25 years, has sold during the past 12 months in

Continued on page 28

*An address by Mr. Gunn at the 41st Annual Meeting of the Investment Dealers' Association of Canada, Jasper Park Lodge, Jasper, Alberta, June 12, 1957.

Alberta's Contribution to Canada's Growth

By THE HONOURABLE E. C. MANNING*
Premier of Alberta

Premier Manning cites Alberta's great share in country's vitally important development of natural resources with 90% of nation's petroleum development having occurred in Alberta. Notes broad and vital results of petroleum industry development, in eliminating the Provincial debt, paying for all manner of public improvements, and mitigating the nation's trade deficit with the United States. Concludes Canada possesses resources, people, capital, and stability essential to solid economic growth and development.

It is no exaggeration to say that investment dealers are a good barometer of the sentiments of any country. After the Canadian election, some went to their newspapers, some to teletypes, and some to radios to see the reaction of the economy to what was going to be nationally. You investment dealers went to your ticker tapes, and the country has been reassured to see how little disturbance has taken place. At the beginning of the week, Canada woke up with a political headache, and the President of the United States woke up with indigestion and, significantly, the President's indigestion had far more profound effects upon the stock market in the United States than the election had on the economy here. Whether this speaks for the stability of our nation, I leave for you to decide.

Hon. E. C. Manning

Inviting a Competitor of Investment Bankers

It is most kind of you to invite one representing an organization that in one sense has been your competitor for the past four years in this province. As you undoubtedly know, all of our municipal finances and all of our school debentures have been picked up by revolving funds in the municipal treasuries of this province. So, as far as debentures are concerned, we have to regard ourselves as being in competition and, therefore, I think it most kind of you to invite me to your convention. I think we have enjoyed, over the years, a very happy relationship with your members.

There are two obvious reasons for this. Over the years, we have not done very much business with each other. In the old days, we were in a state of economic bankruptcy. Our credit was so bad, you would not do business with us. Now, the reverse is true; we won't do business with you! So, you can understand why we have such a pleasant and happy relationship.

*An address by Premier Manning at the Forty-First Annual Meeting of the Investment Dealers' Association of Canada, Jasper Park Lodge, Jasper, Alberta, June 12, 1957.

Important Role of Dealers

Turning to more serious matters, the importance of investment dealers in the business and economic life of any nation today, I think, is self-evident. Our whole economy in this and other countries has become more complex and inter-related in recent years and, as a result, the counsel of qualified investment dealers to the investor has become a much more serious and difficult matter than in former years.

Today, so many factors are involved. There has been a great and wide variety of investment opportunities in this period of economic growth such as Canada has experienced since the War, and so there has been imposed more responsibility on investment counselors. You must be authorities on so many subjects; you must appraise economic trends; and you must be in constant touch with economic trends. Also, you must be familiar with changes in laws in financial and tax fields which affect the interests and judgment of investments.

Capital Investment Requirements

ern Canada has been the tremen-

But one thing that gives added importance to your work in Westdous need for investment capital in the field of the development of the nation's resources. We all understand that the development of natural resources is fundamental to the economic growth and development of any nation. To get that development, you must have development capital. In the last number of years—certainly in this area in particular, and true generally across Canada — that matter has become of paramount importance, not only to the investment counselor, but to the welfare and development of the nation as a whole.

A "Phenomenal Reformation"

I know, in Alberta, you realize we have a particular interest in that development. We, in Alberta, have been privileged to enjoy that development, that is having such a significant impact on the national economy of Canada as a whole, to a great degree. In the petroleum industry of this country alone, in the past 10 years out of the $2¼ million spent, approximately $2 million has been spent in this province. The reformation has been phenomenal.

Without wearying you with statistics, 10 years ago in the oil industry in Alberta, we had only 600 producing wells producing 10 million barrels a year. Now we have 8,000 wells producing 150 million barrels, and a potential 75 million barrels additional limited only by available markets. Our natural gas picture 10 years ago was insignificant. Today, we have over 1,300 wells capable of production representing over 20 trillion cubic feet of gas, which has become of great importance to all of Canada.

Eased Canada's Trade Deficit Trade With United States

Along with the development of the petroleum industry alone has come all the auxilliary, secondary developments which, of course, has had tremendous impact on the provincial economy and the national economy as a whole. One of Canada's present external programs, as you well know, is the rather serious trade deficit with the United States. Until 10 years ago, petroleum proceeds represented the largest single item of imports from the United States, for which this country had to find U. S. dollars. That situation has been very largely changed by reason of the petroleum development in Western Canada. If it were not for that development, in the light of our present deficit with the United States, how much more serious it would be had it not been for the change that has come about as a result of our resources development in the petroleum field.

Now, all this has meant a great deal to investors, hundreds of thousands of whom have become partners in this great development. It is of great importance to the investor and, presently, of great importance to the citizens —certainly as far as this province is concerned. In the 10-year period since resources development began here, our provincial public treasury has received over $630 million. Now, this figure in itself means little, but its significance becomes clear when you realize it represents over $50 million more than the entire population of this province in the last 10 years have paid in school, hospital, and other taxes combined.

Alberta Debt-Free

This all has occurred as a result of public revenues from this resources development. It has enabled this province to reap innumerable improvements, such as elimination of the provincial debt, which at one time was the highest in Canada. In the field of municipal capital expenditures, as a result of these revenues from resources development, a revolving fund was set up and made possible by such resources development. At the present time, over

Continued on page 10

Natural Gas—What It Means to Canada

By D. K. YORATH*
President, Canadian Western Natural Gas Co. Ltd., Calgary, and Northwestern Utilities, Ltd., Edmonton

Mr. Yorath calls attention to the magnitude of the imminent effect of natural gas on the Canadian economy, and on the individual citizen's future. Reports regulatory climate as favorable. With Canada's position in the industry now far behind the U. S., predicts expansion will be comparable to ours over the past 15 to 20 years; with ready community acceptance of the product.

In approaching the subject of this paper it is difficult to know where to start and from what angle—even for someone who has been in the natural gas business all his business life. Perhaps that is a handicap — and someone from the outside looking in could give a clearer picture.

D. K. Yorath

I shall divide my discussion into four sections:

(1) The effect upon Canada in dollars of the now contemplated natural gas industry's capital expenditures.

(2) The market climate for gas and factors affecting it.

(3) Some information on the industry in the United States which I feel can be used as a guide to the Canadian potential; and

(4) A few general observations on the industry itself and the way it operates.

In branching off into fields of this description a crystal ball is needed as there is little past history in Canada that can be of much use as a guide. I have never aspired to the role of a prophet; on the other hand, I have never been known as a pessimist. There have been so many wild estimates and figures produced in articles and speeches in the past few years that I am hesitant to step into that particular arena — but if I am to give you a complete picture I am afraid I have no alternative. I should say though that all of my factual figures have been collected from recognized authorities, such as Governmental Bureaus, the American Gas Association, Canadian Gas Association and others. The guestimates I will give are the result of studies made at my request by our own company engineers and statisticians who have prepared them with their background of years of experience with a natural gas utility that not only distributes, but also produces and transmits many billions of cubic feet of natural gas.

Background Statistics

That is probably where I should start—if you will forgive me—by giving you a few facts concerning my own companies. At least they furnish evidence that the people who prepared the background statistics of this talk should know their subject. Also they will perhaps enable you to visualize better from our companies' experience the potential in the rest of Canada.

I am afraid an analysis of this sort must of necessity be fairly well cluttered with statistics. However, in this instance I do not feel an apology for using figures is required. At any rate, I hope the accompanying chart will make them slightly more palatable than a straight recitation of them. It is a map of Central and Southern Alberta showing our companies' systems—and the proposed route of Alberta Trunk line.

The data in Table I show the growth of our properties over the past 10 years. You will see that in each statistic given the figure for 1956 is considerably more than double the figure at the end of 1947.

In addition to the gas sold by our two companies in 1956, the Conservation Board estimates others sold about 30,000,000 M.C.F. in Alberta. A major portion of the gas not sold by us is sold by companies who sell to industries such as the Sherritt-Gordon Plant at Fort Saskatchewan, the Calgary Power Plant at Wabamun, the Northwest Pulp and Power Company's Plant at Hinton and Canadian Chemical Company east of Edmonton. The balance is sold to citizens and several industries in Medicine Hat and a number of smaller communities scattered throughout the Province.

TABLE I

Canadian Western Natural Gas Company Limited, Calgary
Northwestern Utilities, Limited, Edmonton

	1956	*1552*	*1947*
Customers at year end	138,975	100,883	61,816
Natural gas sales (000's of cu. ft.)	80,879,031	50,548,768	28,699,281
Revenue from sale of gas	$20,554,122	$12,822,063	$6,187,982
Net income	$3,362,043	$1,739,709	$1,123,320
Plant value at Dec. 31, 1947 plus gross additions for 5 & 9 years	$83,813,374	$53,578,916	$23,571,236
Miles of pipeline	3,254	2,230	1,433
Maximum daily demand (000's of cubic feet)	438,927	297,679	152,160
Communities served	93	50	28
Population served	557,000	397,000	261,000

Alberta's Gas Reserves

Before we leave Alberta, I think I should just briefly touch on the Province's gas reserves, though I imagine most of you are familiar with those figures. The total proved recoverable reserves of natural gas as given in the January 1957 report of the Alberta Petroleum and Natural Gas Conservation Board are 18.3 trillion cubic feet. The present total estimated reserves for Canada run slightly over 22 trillion cubic feet with some 3 trillion in Northeastern B. C. and the balance in Saskatchewan, Manitoba and Southwestern Ontario. The Alberta Conservation Board estimates that, assuming a continuation of drilling and of gas discoveries per well, initial disposable reserves of 42 trillion cubic feet can conservatively be expected by 1986, while, from a geological approach, an ultimate total reserve of 75 trillion cubic feet may be forecast for Alberta.

Natural Gas Reserves

Alberta—January 1957	18.3 T.C.F.
Canada	22 T.C.F.
1986	42 T.C.F.
Ultimate	75 T.C.F.
Existing export permits total withdrawal	5.75 T.C.F.
Alberta requirements 1957-86	7.6 T.C.F.

While we are on the subject of reserves I should point out that existing permits issued by the Conservation Board for the export of gas from Alberta total 5.75 trillion cubic feet. In its report of January of this year the Board estimates the reserves needed to meet the requirements of the Province — to assure continued natural gas service to the peoples of Alberta over the 30-year period 1957-86 to be about 7.6 trillion cubic feet.

It is absolutely essential that no additional quantities of natural gas be permitted to be withdrawn from the Province unless the permit is contingent upon the Alberta market having prior call upon that gas if it is needed for Alberta consumption. The Alberta consumer must have that protection. As the major supplier to the natural gas consumers of this Province, this is the stand that my companies will be taking before the Board at any hearing involving requests for new permits to export gas or to hear application for increasing the amounts allowed under existing permits. At the same time I should say that our companies do not expect to buy gas from the producer at bargain basement prices but we are prepared to pay a fair price in line with the market prevailing at the time and having regard to all the factors involved.

Here is where I twirl my crystal ball for the first time. Up until now nearly all the major natural gas reserves have been developed in connection with drilling for oil. I believe that the drilling for natural gas as the main object of discovery will be accelerated beyond the conception of anyone a year ago. If I am correct, and if the gas is there, it is possible the 42 trillion cubic feet of reserves may be established before 1986.

Canada's Potential as Natural Gas Customer

I think we should now take a look at the rest of Canada and its

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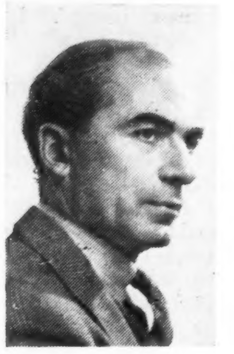
*An address by Mr. Yorath at the 41st Annual Meeting of the Investment Dealers' Association of Canada, Jasper Park Lodge, Jasper, Alberta, June 13, 1957.

Recent Economic Trends in British Columbia

By A. E. GRAUER*
President, British Columbia Power Corp., Ltd., Vancouver, B. C.

Mr. Grauer details background and current developments in British Columbia. Maintains rugged terrain embodies both assets and liabilities, with forests having provided the backbone of its prosperity. Notes favored position in field of energy resources, with abundant supply of hydro-electricity and natural gas, and good prospects for oil. Predicts future holding large-scale and diversified investment opportunities; with circle of mutually stimulating factors including beautiful natural resources, abundant energy, temperate climate, strategic location, population growth and industrial development.

The letter of invitation from the Association's President read — "Tell us something about the terrific development in your Province, with particular reference to the steps your company and others have taken to provide extra amounts of power for both private and industrial use. Many of our members will perhaps be in Western Canada for the first time, and will in many cases include a visit to Vancouver and the Island in their itinerary, and it would be appropriate for them to learn of some of the major happenings on the Coast."


A. E. Grauer

Under the circumstances, I think it will be helpful to tell you first something of the background to present developments in British Columbia.

Travel literature frequently refers to British Columbia as "a sea of mountains," an epithet coined by one of the Confederate Fathers, Edward Blake, in his angry opposition to the construction of a railroad between Canada and British Columbia, which was one of the principal terms of union when the Province joined Confederation in 1871.

However, Edward Blake was no farther off base than Daniel Webster when he spoke as follows in the United States Congress about the American far West:

"What do we want with this region of savages and wild beasts, of deserts and shifting sands and whirlwinds of dust, of cactus and prairie dogs? To what use could we ever put these endless mountain ranges? What could we do with the West Coast of 1,000 miles, rockbound, cheerless and uninviting? Improved communications with the West? Me, gentlemen—I for one, will not vote one penny for such an enterprise—the whole western country is not worth it."

The "sea of mountains" soon engendered an optimism of its own. Its supreme example is perhaps found in the case of a miner who was a fervent disciple of G. M. Dawson the pioneer geologist, and who was also an ardent, if not too understanding, reader of Dawson's great report, "The Mineral Wealth of British Columbia." When the time arrived for this miner to pull his last stake, he asked an itinerant clergyman at the diggings to read from the "Good Book." The clergyman chose the Twenty-first Chapter of Revelations and described the New Jerusalem descending from above, its foundations garnished with precious stones, jasper, sapphires, emeralds, topaz and amethyst. "Stop," groaned the miner, "Man, that's not the Bible, that's the Dawson Report."

Three Great Mountain Ranges

The B. C. mountains run in three great ranges roughly parallel to the coast — the Coast Range, the Rocky Mountains, and in between, a third range of which the Columbia Mountains and the Selkirks are the best known.

There are thus, besides innumerable pocket-like valleys, two major valley systems in the Province. Between the Coast Range and the Columbia Mountains lies the vast Interior Plateau or dry belt which runs from close to the United States border to half-way up the length of B. C. It is a semi-arid region varying in altitude from 1,200 to 1,800 feet and covered with mixed grazing and forest lands. Further east, on the other side of the Columbia Mountains, is the narrower Rocky Mountain Trench, extending the length of the Province. Here rise all the major rivers flowing into the Pacific, from Alaska to Southern California, except one, the Colorado.

On the east side of the Rockies, the Peace River region, in the extreme northeast corner of the Province, is part of the Great Plains and comprises about 10% of the area of the Province.

B. C.'s huge area is larger than the combined size of the neighboring Pacific States of Washington, Oregon and California; and about 10% smaller than Ontario, Canada's second largest province.

B. C.'s rugged terrain involves both assets and liabilities. Let us begin with the liabilities. First, only a small proportion of the land area is potentially arable; about 6% compared to about 54% in Alberta and 29% in Ontario. Obviously, agriculture must always remain a relatively small industry.

Second, since these ranges obtrude themselves athwart the lines of east-west communications, land transportation, both in construction and maintenance, is very costly compared to those regions where the scenery is less spectacular. This applies to rail, highway, electric transmission lines and pipelines.

A third disadvantage is that settlement has been very spotty, being restricted to strategic areas along the lines of communications or located near specific resources. Such a settlement pattern means not only high transportation costs but a relatively high per capita cost of government services at all levels.

Metropolitan Vancouver

Fifty-nine percent of B. C.'s 1,400,000 people are located in metropolitan Vancouver and its immediate hinterland, the fertile Fraser Valley running about 80 miles upwards from the mouth of the Fraser River.

The attractions of this Lower Mainland area are of a permanent nature. It possesses one of the greatest harbors of the world in the Port of Vancouver, an all-year-round port, with the fresh-water harbor of New Westminster immediately adjoining. Along with neighboring Vancouver Island, it has the most equable climate in Canada, avoiding the extremes of heat in the summer and of cold in the winter.

It is an outstanding transportation centre by sea, by air, and by land. For instance, it is the terminus of the two Canadian transcontinental railways, it is connected with the three United States transcontinental railways running into Seattle, and it is the terminus of the provincially owned Pacific Great Eastern Railway which, when present construction to Fort St. John in the Peace River is completed in 1958, will be Canada's third longest railway at 790 miles.

"Fuel, power, capital and men," says the Province of Ontario brief to the Royal Commission on Canada's Economic Prospects, "all follow great industries; but industry seeks out areas blessed by nature and history with exceptionally good transportation facilities." Nowhere in Canada does this observation apply with greater relevance than in the Greater Vancouver area.

All of British Columbia is expanding rapidly but these advantages account for the relatively faster growth of the Lower Mainland area than the rest of the Province as measured by percentage of total B. C. population.

Although creating some disabilities, B. C.'s mountain ranges are also largely responsible for the assets upon which her marked prosperity is founded — minerals, ample rainfall, lush forests, abundant hydro resources and important fisheries.

In assessing this huge and diversified area that is British Columbia and in speculating about its future, it is well to keep in mind too how amazingly young B. S. is. It was little more than 150 years ago, in 1793, that Captain George Vancouver explored and mapped a considerable portion of the west coast; and B. C. is only next year marking

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*An address by Mr. Grauer at the 41st Annual Meeting of the Investment Dealers' Association of Canada, Jasper Park Lodge, Jasper, Alberta, June 11, 1957.

Mr. & Mrs. H. R. Malkin, *Gairdner and Company Limited*, Vancouver; A. E. Grauer, President of *British Columbia Electric Co.*, Vancouver; Mr. & Mrs. L. N. Watt, *Gairdner and Company Limited*, Toronto

Nigel Gunn, *Bell, Gouinlock & Company, Limited*, Toronto; Hon. E. C. Manning, Premier of Alberta, Edmonton, Alta.; A. E. Grauer, *President, British Columbia Electric Co., Limited*, Vancouver; D. K. Yorath, President, *Canadian Western Natural Gas Co.*, Edmonton

Mr. & Mrs. R. H. Dean, *Nesbitt, Thomson and Company, Limited,* Montreal—newly elected president of *Investment Dealers' Association of Canada*

Mr. & Mrs. Frank McDonald, *Gairdner and Company, Limited,* Winnipeg; Robert McCulloch, *Osler, Hammond & Nanton, Limited,* Winnipeg

R. W. Gouinlock, *Bell, Gouinlock & Company, Limited,* Toronto; James Richardson, *James Richardson & Sons,* Winnipeg; Larry Bell, *James Richardson & Sons,* Toronto; A. J. Milner, *Mills, Spence & Co.,* Toronto

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CRETZIANU, GEORGE
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Mr. & Mrs. Dudley Dawson, *Dawson, Hannaford, Ltd.*, Montreal

Arne Fuglestad, *Burns Bros. & Denton, Inc.*, New York; Mrs. J. E. Choat, Winnipeg; Tom Bradbury, *Brawley, Cathers & Company*, Toronto; Mrs. Arne Fuglestad

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Alberta's Contribution To Canada's Growth

76% of this debt is owed to the revolving fund in the provincial treasury. Over 63% of the school fund is owed, with less than 40% owed on the open market. Last year, approximately 53% of the entire revenue of municipal districts of Alberta came to them in the form of grants from the provincial treasury of Alberta. These are what we call "improvement districts," and which are not organized into municipalities. This gives an indication of how economic development in the field of natural resources is of concern, not only to the investor, but to the rank and file of citizens as a whole.

I might add in leaving this subject that in the disbursement of public revenues accruing, we have added to our long list of priorities recognition of the individual citizens of the province as owners of these resources whose development has made all these other things possible. Aside from the financial benefit to the citizens, recognition of the individual as the legal and rightful owner of the resources is important. Such recognition of the fundamental fact that he is the rightful owner will help make him realize his position as an active partner of the investor and in the country's development.

Basis of Solid Economic Growth and Development

In any nation, there are three or four essentials to its solid economic growth and development. You must have resources, you must have people, you must have capital, and you must have conditions favorable to orderly and stable development. In Canada, I believe we have these four essentials. In the midst of those essential units in the process of development, the investment dealer stands as an essential link between the investor, on the one hand, and companies, engineers, and developers on the other hand. You, therefore, occupy that position as the essential link in our way of life, our way of development. Therefore, to me, it is a very great pleasure to extend to you, on behalf of the government and people of Alberta, a most cordial welcome into our midst as you have come to discuss these economic developments.

Mr. & Mrs. Robert Clark, *Calvin Bullock, Ltd.*, New York; Mr. & Mrs. David Gill, *Nesbitt, Thomson and Company, Limited*, Montreal; Henry H. Rath, *Nesbitt, Thomson and Company, Limited*, Montreal

Mr. & Mrs. R. Webster, *James Richardson & Sons*, Vancouver; Mr. & Mrs. Larry Forbes, *Nesbitt, Thomson & Company, Limited*, Ottawa; Des Stoker, *Nesbitt, Thomson & Company, Limited*, Montreal

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Recent Economic Trends In British Columbia

the centenary of the founding of the Crown colony of British Columbia on what is now the Mainland of this Province.

Other Historic Dates

Other important bench marks in B. C.'s history are the following. The discovery of gold in the Cariboo in 1857 brought the first rush of population and emphasized the need for adequate communication to the Interior if British ties were to be maintained. In 1885 the C. P. R. was completed to tidewater, connecting B. C. overland with the rest of Canada. In 1915 the completion of the Panama Canal marked the opening of the Atlantic Seaboard and European markets to waterborne B. C. products; and in the same year, the completion of the C. N. R. to Vancouver opened the northern Prairies to large scale lumber shipments. Finally, participation in the Canadian war effort from 1939 to 1945, and the great post-war boom since, has brought about tremendous economic growth and diversification.

As one might expect, the "terrific development in your province" to which your President referred in his invitation to me, flows directly from the climate, topography and natural resources of B. C.

Forest Resources

Undoubtedly the single most important resource so far has been that of our forests. Seven thousand miles of shoreline on the Pacific Coast, including inlets and offshore islands, with a mild, open climate caused by the Japanese current, and heavy rainfall as the result of moisture laden westerlies hitting the mountain ranges, have meant lush coastal forests in an area ideally suited for waterborne transportation. The result is that the B. C. Pacific slope has the finest softwood timber producing area in the world.

The western slopes of the Selkirks and the Rockies catch a second precipitation from these winds and produce rain forests similar to those on the Coast, the principal commercial species being spruce, hemlock, Douglas fir and cedar.

The Interior Plateau as a whole is covered largely with lodge pole pine as is the southern part of the Rocky Mountain Trench. Further north in the Rocky Mountain Trench large but scattered stands of spruce occur which only now are being fully investigated.

Thirty percent of B. C.'s land area is covered with productive forests, and B. C. cuts about 25% of Canada's timber by volume and accounts for about 7% of its pulpwood and 55% of its lumber production. Is it any wonder that B. C.'s prosperity thus far has had the forests for its backbone.

The post-war trends in the forest industry of tremendous significance to the present and future of B. C. have been, first, the much more efficient use of wood resources including both types of trees and the utilization of the whole tree, and, second, the rise of integrated forest products companies which have added both efficiency and stability to the industry.

A fully integrated forest products company on the coast would have most or all of the following operations, — logging, sawmills, plywood and other building materials, pulp, paper bags and newsprint.

Pulp and Paper Industry

Although lumber is still our most valuable forest product in dollar amount, during the past five years $142 million have been invested in high utilization plants producing pulp, paper, wood and other cellulose products. During the next five years planned expenditure for these purposes exceeds $200 million. The increase in kilowatt hour consumption per employee from about 5,700 annually in 1946 to just under 14,000 in 1955 is an indication of the great strides made by the industry in the use of automatic and semi-automatic equipment.

An illustration of the tremendously increased efficiency of the industry is the fact that approximately 38% of the wood used in B. C.'s pulp and paper mills now comes from logging waste and sawmill waste when 10 years ago none came from this source.

Rivalling the squeal of the hog-packing industry, the forest in-

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Mr. & Mrs. Roy Meredith, *Ringland, Meredith & Co. Ltd.*, Lethbridge, Ont.; Mr. & Mrs. Don McDermid, *McDermid, Miller & McDermid, Ltd.*, Vancouver; Mrs. Alec Reid, Vancouver; Cy Irwin, *Carlile & McCarthy, Ltd.*, Calgary

W. D. R. McLaren, *W. C. Pitfield & Company, Ltd.*, Calgary; Mrs. W. Y. Soper, Montreal; Mrs. E. F. C. Kinnear, Montreal; Mrs. K. S. Langfeldt, Edmonton; E. F. C. Kinnear, *W. C. Pitfield & Company, Ltd.*, Montreal; Mr. & Mrs. A. G. Muir, *W. C. Pitfield & Company, Ltd.*, Vancouver

Continued from page 11

Recent Trends In B. C. Economy

dustry until recently boasted it used "all the log but the bark." Today it uses the bark too.

The Preliminary Report of the Royal Commission on Canada's Economic Prospects, or the Gordon Commission, forecast a doubling of the production of Canadian forest products by 1980. British Columbia will undoubtedly get its share of this marked increase. But in view of the relatively high ratio of actual cut to potential cut on the Pacific Coast, the preponderance of future expansion will take place in the interior of B. C.

The Cordilleras of British Columbia are among the highly mineralized mountains of the globe, and mining, next to foresty, is the Province's leading primary industry.

Top Zinc and Lead Producer

B. C. is the world's top producer in zinc and a major producer of lead. It accounts for half Canada's silver output and a significant proportion of its copper. Almost 90% of our total mineral wealth has been found within 150 miles of the United States border. Better transportation facilities for both prospector and mineral output, as well as relatively favorable geological conditions, have made it inevitable that the southern part of the Province should have been developed first.

The next theatre of large-scale mineral discovery appears to lie in the northwest corner of the Province, in the Stikine River country behind the Alaska panhandle. One of the most elaborate surveys in this century, conducted by the Geological Survey of Canada and about 25 leading mining firms, began here in the summer of 1956. This country, bounded by the Alaska panhandle to the west, the Alaska Highway on the east and the Yukon boundary on the north, occupies some of the wildest and most inaccessible territory on the continent. Finds of asbestos, silver, lead, zinc and gold have been made. The Cassiar high-grade asbestos deposit, which apparently is very large, is in this area and the Provincial Government is building a development road there.

The Stikine River country lies

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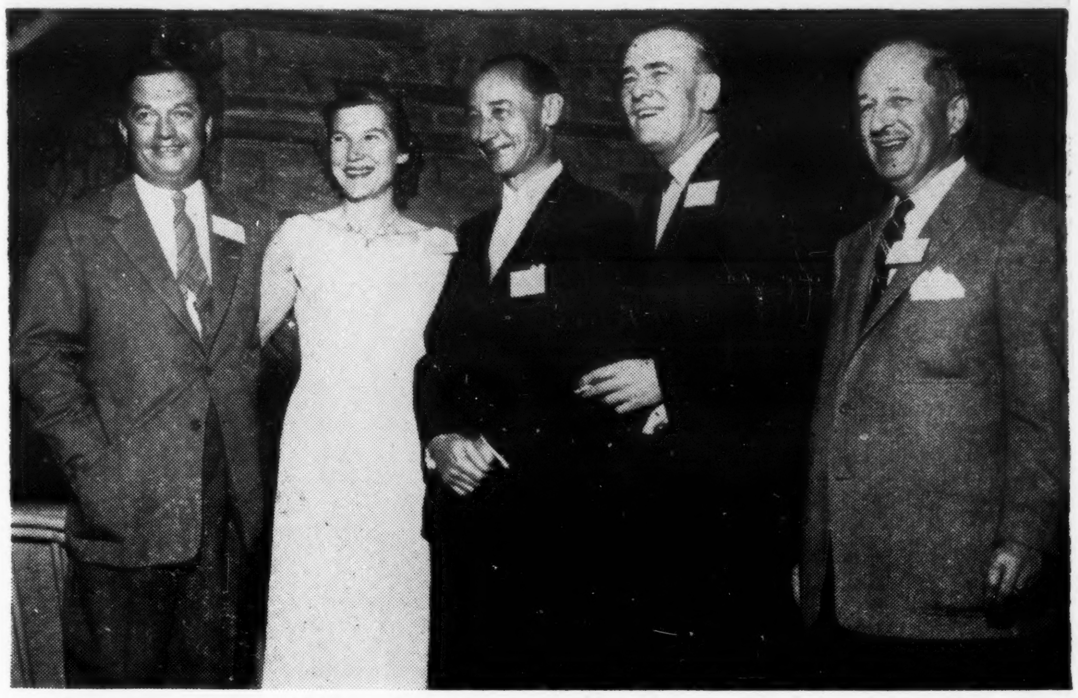
H. C. Howard, *Nesbitt, Thomson & Co., Ltd.*, Montreal; Mr. & Mrs. F. H. Russell, *Nesbitt, Thomson & Co., Ltd.*, Vancouver; P. A. Wootten, *Western City Co.*, Vancouver



Mr. & Mrs. Carman King, *Gairdner and Company Limited*, Toronto; D. K. Yorath, President, *Canadian Western Natural Gas Co.*, Edmonton; A. H. Turney, *Locke, Gray & Co.*, Calgary; Paul Guimont, *Clement, Guimont Inc.*, Quebec City

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Recent Economic Trends In British Columbia

several hundred miles west of the northern section of the Rocky Mountain Trench which received much prominence when the Wenner-Gren arrangement was announced some months ago.

All of B. C., and perhaps particularly this wild northern part, will benefit greatly by the big strides made in airborne prospecting. Considering the large area involved, the geology and the indications already found, there is every reason to expect that there will be important discoveries made in fields such as uranium, iron ore, nickel and rare minerals as well as in the fields of minerals already more commonly found in B. C.

The Gordon Commission's research studies forecast an increase in the total value of mineral production for Canada of from 3½ to 4 times during the next 25 years. It seems certain that British Columbia will participate handsomely in this big growth.

Favorable Energy Sources

Turning to the important field of energy resources, without which no great economic development is possible, British Columbia finds itself in a favored position. It has two of the three most efficient and flexible energy sources in abundant supply, both actual and prospective, within its own borders, namely, hydro electricity and natural gas; with good prospects for the third, oil—which in any case it is getting efficiently by pipeline from neighboring Alberta.

The energy source that will become increasingly important for B. C. in 25 or more years from now—uranium—has not yet been found to any extent but, considering the early stages of prospecting for it, it would be surprising if B. C. did not turn out to have ample endowment in this field too.

B. C.'s proven resources of natural gas and oil centre on the Peace River area which occupies a 34,000 square mile triangle in the extreme northeast corner of the Province and a somewhat larger adjoining area in Alberta.

There are potential oil and gas areas in the Lower Mainland coast ranging up to the Queen Charlotte Islands but these are as yet unproven.

Since 1951, proven gas reserves have grown to figures of astronomical dimensions, and, like the astronomer's conception of the universe, they continue to expand at a dizzy pace. The reserves of the Peace River field are now in excess of 3.3 trillion cubic feet, of which slightly more than half is in British Columbia; and exploration is only now beginning to gain momentum.

Peace River gas is expected to reach the Lower Mainland and American border through the Westcoast Transmission Line by the autumn of this year—and before the end of 1958 44 interior communities and the Lower Mainland will have been served with Peace River natural gas.

The areas served by the B. C. Electric are the only ones now getting natural gas which we started receiving from the south in November of last year. 1957 will therefore be the first full year of natural gas distribution in our Mainland service area.

We will thus get a running start in our consumption of Peace River natural gas when we switch over to it this coming autumn and we expect to take more than 50 million cubic feet a day before 1960. This will be the equivalent of about 817 thousand horsepower, or almost one-third of the pres-

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Walter Downes, *Kippen & Company, Inc.*, Montreal; Mr. & Mrs. Malcolm Brown, *Odlum Brown Investments Ltd.*, Vancouver

J. C. Stodgell, *Walwyn, Stodgell & Co., Limited*, Windsor, Ont.; J. H. Davie, *Dominion Securities Corpn., Limited*, Toronto; J. D. Bulgin, *Dominion Securities Corpn., Limited*, Winnipeg

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Recent Economic Trends In British Columbia

ently installed electrical capacity of the whole Province.

We are also working continuously at the problem of supplying Vancouver Island with natural gas and we are optimistic about this proving feasible.

The Preliminary Report of the Gordon Commission forecast a striking rise in Canada's consumption of natural gas and oil over the next 25 years, predicting that by 1980, between two-thirds and three-fourths of a greatly increased total energy figure would be supplied by petroleum and natural gas. It seems apparent that British Columbia will be second only to the Prairie Provinces in its ability to participate in this dramatic development.

Unlimited Hydro-Electric Power

Hydro-electricity is the form of energy in which Canada has historically had great advantages over most other nations. It has been said, "In the same way that the industrial growth of England and Germany was based on coal so hydro-electric power has been fundamental to Canada's development.

British Columbia's abundant rainfall and rugged topography have endowed the Province with enormous resources of water power, a relatively small proportion of which has yet been harnessed. This is a fact of great significance when it is remembered that many other areas of Canada, notably Ontario, are now approaching the end of their undeveloped hydro resources.

New surveys have required a constant upward revision of B. C.'s total hydro potential so that by 1956 the figure had risen to upwards of 21 million horsepower, not including the estimated expansion of present installations which can be increased by well over 2½ million horsepower, or by approximately 100%.

With the exception of Vancouver Island, these resources are fairly evenly distributed throughout the Province. The outlook for Vancouver Island has been greatly improved by a B. C. Electric submarine cable making Mainland resources available and immediately increasing the Island's supply by about 160,000 horsepower. Completed in the fall of 1956, this is the world's longest submarine cable of so high a capacity and is a "first" in undersea transmission engineering.

Perhaps the two outstanding aspects of B. C.'s hydro picture are, first, the existence of several large-scale projects, remote from centres of population, whose en-

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Mr. & Mrs. E. J. Doran, *Royal Securities Corpn., Ltd.*, Calgary; Mr. & Mrs. R. B. Brookes, *Royal Securities Corpn., Limited*, Edmonton; Mr. & Mrs. Douglas Colvey, *Canadian Dow Jones, Ltd.*, Montreal

Mr. & Mrs. A. F. Harvey, *Nesbitt, Thomson & Company, Limited*, Victoria; Mr. & Mrs. A. L. Bristowe, *Yorkshire Securities, Limited*, Victoria

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Recent Economic Trends In British Columbia

ergy can efficiently be used at tidewater on the Pacific Coast and, second, the enormous potential of the Upper Columbia and the Fraser Rivers, two of the best power rivers in the world, strategically located in the southern half of the Province.

On the coast, near Prince Rupert, Alcan's Kemano development has already brought into production close to one-third of its ultimate 2¼ million horsepower.

Northwards, between Kitimat and the Yukon border, there are two watersheds that can be developed for use at tidewater by using the same techniques as Alcan did, each with an apparent potential of close to five million horsepower although detailed engineering has not yet been done.

Southwards, between Kitimat and Vancouver, there is another large project, the Homathko-Chilko, with a potential of over one million horsepower, which can similarly be developed. It is under investigation currently by the B. C. Power Commission for possible use in its service areas on the northern half of Vancouver Island.

In the southern part of British Columbia, where the bulk of population and industry is located, the vast resources of the Fraser River would be the obvious next development for Greater Vancouver and the Lower Mainland area but, as you know, the problem of the salmon fishery is holding it up.

Farther east the large potential of the Upper Columbia has no fish problem — United States Government dams on the Lower Columbia having disposed of that,—so, as soon as the governments can iron out the complications caused by it being an international river, it appears destined to be the next big source of hydro power for southern British Columbia.

Four Large Power Producers

There are four large producers of power in British Columbia, the others being very small. On a horsepower basis, the "Big Four" at the end of 1956 were as follows:

—the B. C. Electric Company—750,000 horsepower;

—Consolidated Mining & Smelting, with its subsidiary West Kootenay Power — 630,000 horsepower;

—Alcan—600,000 horsepower;

—B. C. Power Commission—318,000 horsepower

When these figures of installed capacity for the distributing companies,—B. C. Electric, West Kootenay Power & Light and B. C. Power Commission, are compared with the tremendous potential of the Upper Columbia and the Fraser River, they seem small indeed. However, one must have regard for the very high rate of load growth, the highest in North America, that has been taking place since the end of the last war.

The B. C. Electric, for instance, has increased its installed generating capacity approximately 2½ times since 1947 and has under construction for the next five years, starting with this one, projects which will double its present capacity.

$3 Billion Capital Outlay

About 25 years from now, that is, during the winter of 1980-81, we forecast a peak load for our system of close to 10 million horsepower,—which, incidentally, means an investment exceeding $3 billion at today's prices. This is considerably more than the po-

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Mrs. D. W. Currie, Toronto; J. E. Choate, *Burns Bros. & Denton, Ltd.*, Winnipeg; D. W. Currie, *Burns Bros. & Company, Limited*, Toronto; Mrs. T. J. Bradbury, Toronto

Frank Rose, *Dow, Jones & Co.*, New York City; Mr. & Mrs. Eric Wright, *Geoffrion, Robert & Gelinas, Inc.*, Montreal; Peter Johnston, *Grant Johnston & Co., Limited*, Montreal

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Recent Economic Trends In British Columbia

tential of the whole Upper Columbia.

When you consider that 25 years is a relatively short period of time in the life of a province and that we are only one of the potential users of the output of the Upper Columbia, these figures indicate how important is the need for careful and intelligent planning of the uses of B. C.'s hydro resources, particularly those which are within economic transmission distance of centres of population and industry.

The pattern of the distribution of hydro resources throughout B. C.,—with several huge potential developments in the northern coastal area and in north central B. C. and with the Columbia and the Fraser Rivers in the heartland of southern British Columbia,—indicates that there is ample energy for several future Kitimats and similar ventures requiring large blocks of power for special use and, at the same time, hydro for the huge residential, commercial and industrial expansion that seems obviously destined in southern British Columbia, particularly, in terms of total consumption figures, in the Lower Mainland area centred about Greater Vancouver.

Aside from the important factor of abundant electrical energy, the hydro outlook means a tremendous construction program for B. C. as far as one dares look into the future.

These are very happy prospects for any province!

High Rate of Capital Investment in British Columbia

As Investment Dealers, you are familiar with the annual publication of the Federal Department of Trade and Commerce entitled "Private and Public Investment in Canada" which sets forth the investment intentions of the various main industries and governments for the year ahead. Let me mention but a few of its highlights in so far as British Columbia is concerned. Not only does it help to set our program of development in its proper national perspective, but it serves to point up in dramatic fashion the extent to which local, national and foreign investors are channeling their savings into the construction of new plant and other physical facilities in British Columbia.

One dollar out of every eight invested in the creation of new capital assets in Canada in 1956 was spent in B. C. As B. C.'s population is only about 9% of that of the whole Dominion, it can be seen that 30% to 40% more dol-

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Mr. & Mrs. Walter Sullivan, *Equitable Securities Canada Limited*, Toronto; Jules Dubuc, *Belenger, Inc.*, Montreal; Mr. & Mrs. A. G. Osburn, *Pemberton Securities Limited*, Vancouver

Mr. & Mrs. R. J. G. Reiner, *McLeod, Young, Weir & Company, Limited, Toronto;* Mr. & Mrs. C. P. Keeley, *McLeod, Young, Weir & Company, Limited*, Montreal

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Recent Economic Trends In British Columbia

lars are being spent, per person. on new buildings, new machinery and equipment in my province than is the case generally across the nation. This is a differential, furthermore, which seems to be increasing with time.

Last year, capital outlays in B. C. were reported by the Federal Department of Trade and Commerce to be up 45% over those made in 1955, as against an average increase for Canada as a whole of 24%. A similar situation is forecast by the Department for 1957. As compared with 1956, capital expenditures in B. C. are seen as rising by a further 13%; while for Canada as a whole they are estimated at about 8%.

Breaking these totals down and singling out Ontario and British Columbia for comparison, we find that the resource, construction and utility industries draw heavier investment on the West Coast and that secondary manufacturing, finance and trade are relatively more important in Central Canada; with housing and government and other institutional outlay about the same percent in both provinces.

My attention, naturally enough, is attracted by the fact that electric power, gas and transportation industries are proportionately heavier investors on the West Coast. One out of every three, as opposed to one out of every five dollars in Ontario, is currently going towards the re-equipment and expansion of these services in British Columbia.

Thus, the latest information on investor intentions is consistent with the production record of the past decade. The main emphasis is still on resource developments in British Columbia. As one would expect, the bulk of our rapidly growing manufacturing industry is related to the resource industries but the marked diversification of this resource-based manufacturing since the end of the last war has added greatly to the stability of B. C. manufacturing.

New Industries Coming to the Province

In addition, B. C. is now achieving the size of population that is attracting a steady flow of secondary manufacturing, processing and distributive concerns while her leading resource industries have grown to such a size that supply manufacturers are locating plants in B. C. instead of shipping their products in.

As an example of the latter, one large chemical industry has just this year got into production to supply the burgeoning pulp and paper industry, and a second large American chemical company is currently looking for a site.

In general, you will be surprised when you visit Greater

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W. R. Tapprell, *Carlile & McCarthy, Ltd.*, Calgary; Don McDermid, *McDermid, Miller & McDermid, Ltd.*, Vancouver

Mr. & Mrs. S. J. A. Brettingham, Financial Counsel, Montreal

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Recent Economic Trends In British Columbia

Vancouver to see the way in which Vancouver Harbor has been built up almost solidly as has the north arm of the Fraser River, from Marpole to New Westminster, and other industrial sections of the area.

You will be surprised too at the extent of new office building during the past five years so that streets like Burrard and Georgia are quite transformed.

This, together with the total elimination of streetcars in favor of trolley coaches and a first-class street lighting system makes Vancouver currently the best looking city in Canada.

I have time to refer only briefly to trade. B. C. is essentially a trading province with a large volume of both exports and imports.

Her rail and sea facilities give her excellent connections with by far the largest consumer of raw materials in the world — the United States—and that nation is now entering increasingly into a stage where it can see the end of many of its hitherto abundant natural resources, and will therefore be increasingly disposed to conserve what remains in favor of importing from areas which she can count upon as a source of supply.

Round-the-Clock Ports

B. C.'s splendid all-year-round ports give her direct trade connections to centres throughout the world and she has a particularly strategic location opposite the awakening countries of Asia. The countries around the Asiatic side of the Pacific Ocean are determined to develop diversified economies, and if they are now going to see a similar growth to that of the countries around the Atlantic Ocean during the past two centuries, then the Pacific side of North America will indeed be in a fortunate location. It takes little imagination to see what a relatively small increase in the standard of living of Asia's abounding millions and an associated development of her vast resources would mean to international trade in general and to British Columbia in particular.

I hope I have given you, as your President requested, some idea of the major happenings in B. C. and prospects for the future. It is a future that holds large-scale and diversified investment opportunities.

Perhaps the single impression I would most like you to take away is the beneficient working of a circle of mutually stimulating factors, namely, bountiful natural resources, abundant energy, temperate climate, strategic location, population growth and industrial development.

This is an optimistic note to end on, and it is the note I want to leave with you. I realize that, as Havelock Ellis said, "The place where optimism most flourishes is the lunatic asylum." But I hope I have conveyed to you the reasoned basis for optimism about B. C. If her people live up to their opportunities and continue to show qualities of realism, broad-gauged thinking and courage, I believe that British Columbia has a very great future indeed.

Mr. & Mrs. W. J. Cooper, *Davidson & Company*, Toronto

Mr. & Mrs. C. Teskey Smith, *Harrison & Company, Ltd.*, Toronto

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In Attendance at I.D.A.C. Convention

CROWE, W. DOUGLAS*
Osler, Hammond & Nanton Ltd.
Saskatoon

CUNLIFFE, GUY*
The Gazette
Montreal

CUNNINGHAM, J A.*
Gairdner, Son & Company Ltd.
Kingston

CURRIE, D. W.*
Burns Bros. & Denton Limited
Toronto

DALY, JOHN R.*
Wood, Gundy & Company Limited
New York

*Denotes Mr. and Mrs.

DALY, R. A. Jr.*
R. A. Daly & Company Limited
Toronto

DALY, R. O., Q. C.
Daly, Thistle, Judson & Harvey
Toronto

DAVIE, J. H.*
Dominion Securities Corpn. Ltd.
Toronto

DAWSON, DUDLEY*
Dawson, Hannaford Ltd.
Montreal

DEAN, R. H.*
Nesbitt, Thomson and Company
Montreal

DEANS, D. T.*
Bankers Bond Corporation Ltd.
London

DEMPSEY, JOHN B., II
Dempsey Canadian Newsletter
Montreal

DIXON, R. M.*
Bell, Gouinlock & Company, Ltd.
Toronto

DIXON, JOAN
Toronto

DORAN, E. J.*
Royal Securities Corpn. Ltd.
Edmonton

DOWNES, WALTER L.
Kippen & Company Inc.
Montreal

DRAKE, E. C.*
C. M. Oliver & Company Ltd.
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DUBUC, JULES P.
Belanger Inc.
Montreal

DUGGAN, ERIC M.*
D. M. Duggan Investments Ltd.
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DUNCAN, JIM L.*
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Gardiner, Watson, Fitzpatrick
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The Western City Company Ltd.
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Wood, Gundy & Company Limited
Calgary

Continued on page 26

Mr. & Mrs. John R. Hughes, *Royal Securities Corporation, Ltd.*, Montreal; Mr. & Mrs. E. H. Gunn, *Midland Securities Corpn. Limited*, Toronto

Mr. & Mrs. W. E. Thomson, *Pemberton Securities Limited*, Vancouver; Mr. & Mrs. J. D. Gilmore, *Royal Securities Corporation, Limited*, Vancouver

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Natural Gas—What It Means to Canada

appearance as a potential consumer of natural gas.

Let's start off with some population figures.

These figures are for areas lying along or adjacent to the systems of Trans-Canada and Westcoast. They do not include Alberta. The first figure includes Toronto but not Vancouver, now converting to natural gas, but which is included in the second figure.

Population

(Adjacent to main transmission pipe lines —not including Alberta)

Now served with natural gas	2,530,000
Now served with other gas	3,260,000
Not now served with gas	1,260,000
Total population	7,050,000

Number of Prospective Customers in Communities

Now served with natural gas	324,000
Now served with other gas	387,000
Not now served with gas	564,000
Total present potential	1,275,000

Then we follow on to the number of customers available from that population and we come to the second table. This total potential is based on a market survey of 18.1 customers per hundred of population in the fifth year of operation. This saturation point of 18.1 compares to our companies' figure of 24.9. I feel that the 18.1 figure is realistic—though perhaps a trifle conservative—when considering the more intense competition the export markets will have from other fuels, than does Alberta. By export I mean those markets outside Alberta.

Capital Requirements

And now I propose to give the crystal ball a real twirl. We shall look at the estimated capital cost of serving a population in excess of seven million and customers in excess of a million and a quarter. A few years ago I suggested that to bring the natural gas project to completion—by which I meant the serving of the million and a quarter customers—would cost in excess of a billion dollars over the five year period. I now want to revise that figure upwards and to suggest that a conservative estimate of capital expenditures between now and the end of 1961 could be at least a billion and a half dollars (see table.)

Summary of Capital Expenditures 1957-61 Inclusive

	Millions
Transmission	$629
Field gathering systems	25
Production facilities	95
Distribution systems	335
New appliances	240
Piping, installation and controls	140
Total	$1,464

The major item of $629 million can be broken down into $545 million for the main transmission lines, $30 million for the major branch lines, and $54 million for the Alberta Gas Trunk Line system. This does not take into consideration the numerous small branch lines which will be required and which cannot be firmly determined at this time.

The field gathering system includes compressors.

Production facilities include processing plants.

The distribution system estimate of $335 million has been arrived at on the basis of $400 per new customer in the fifth year of development and $200 for existing customers now served with manu-

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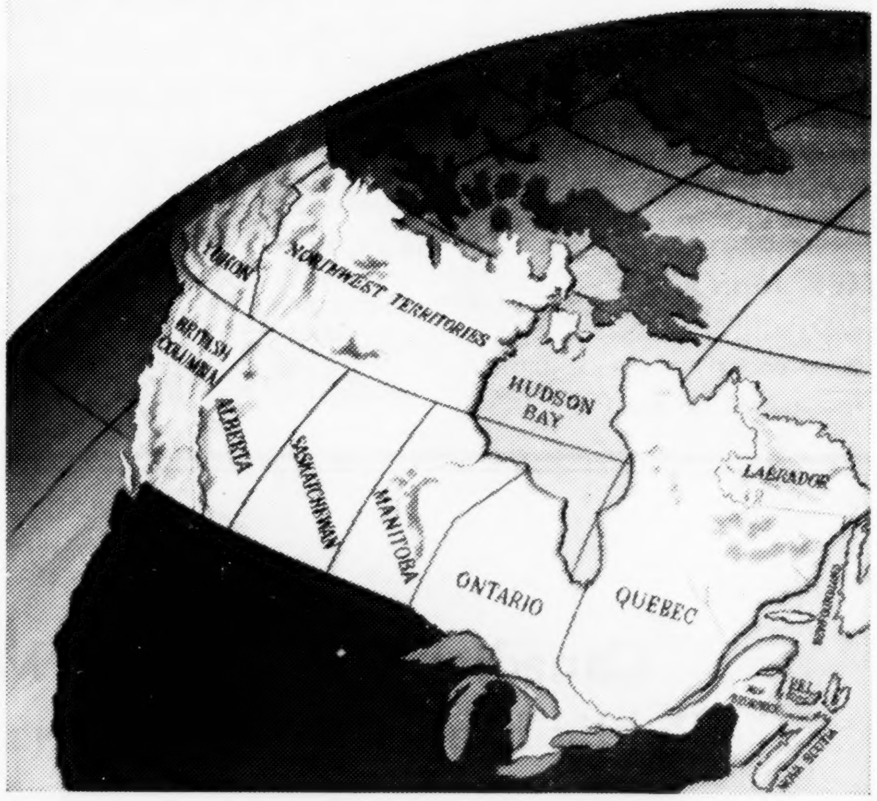

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Natural Gas—In Canada

factured gas or propane-air. For example, Toronto customers have been included in the latter figure.

Fillip to Gas Appliance Industry

New applicances was a really tough figure to arrive at. We assumed that 75% of the new customers will install space heating equipment, 50% ranges, 75% water heaters, 10% dryers and 1% refrigerators and incinerators. This, to some extent, was based on our Alberta companies' experience though we have about 99% saturation on space heating. If this guess is even approximate it should provide a much needed fillip to the struggling Canadian gas appliance manufacturing industry, though, of course, they will be exposed to strenuous competition from the appliance manufacturers across the border — indeed, they are now. I would suggest that the Canadian manufacturer who can raise the capital to expand and improve his plant where necessary, who can produce appliances competitive in quality, efficiency and safety with those from the U. S., and, above all, is prepared to give service and train a competent sales force now, can capture a substantial portion of this market.

The interior piping and installation figure, including cost of controls, is based almost entirely on the average residential customer and does not include the larger commercial and industrial. It is based on $17,000 per 100 new customers and $8,000 per 100 customers already using some type of gas.

Before doing so you may be interested in this picture of the Canadian Gas Appliance Market as it now stands. The first column is the actual and estimated unit sales (not dollars) for 1956—all the actual figures were not available—and includes appliances imported from the U. S. The second column is an estimate of the 1958 market which I suspect will prove to be under what the actual will show. These figures do not include dryers, incinerators or refrigerators.

Appliance Market

	1956 Sale	Estimated 1958 Sale
Gas warm air furnaces	43,075	60,000
Gas domestic boilers	3,500	4,000
Gas conversion burners	22,000	30,000
Gas floor furnaces and wall heaters	7,000	7,500
Gas space heaters	26,000	31,000
Gas cooking ranges	75,019	93,000
Gas hot plates	8,000	10,000
Gas water heaters	72,575	90,000
Total units	257,169	325,500

Another supplemental chart which might be of interest is this one of the known capital expenditures of Canadian pipeline and utility companies for 1957. It is definitely low. There are some companies not included. B. C. Electric for example — and even my companies have revised their budget upwards since this was prepared—but I show it to you as an indication of what is being spent for new plant and equipment today.

1957 Capital Budgets of Canadian Companies

Alberta Gas Trunkline Co.	2,985,000
Canadian Western Natural Gas Co. Ltd.	3,000,000
Consumers' Gas Co. of Toronto	4,000,000
Dominion Natural Gas Co. Ltd.	2,500,000
Inland Natural Gas Co. Ltd.	25,000,000
Northern Ontario Natural Gas Co. Ltd.	1,000,000
Northern Ontario Pipe Line Crown Corp.	50,000,000
Northland Utilities Limited	750,000
Northwestern Utilities, Limited	3,000,000
Quebec Natural Gas Corp.	5,000,000
Saskatchewan Power Corp.	5,865,000
Trans-Canada Pipe Lines. Ltd	98,000,000
Union Gas Co. Ltd.	22,500,000
Westcoast Transmission Co. Ltd.	151,000,000
Total	374,600,000

And now a projection. of my previous table on capital expenditures during 1957-1961. The figure of $1,464 billion I believe is conservative and one which I feel

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Mr. & Mrs. Arnold Plaxton, *Intercity Securities Corporation, Ltd.*, Toronto; Mr. & Mrs. N. E. Lane, *Nesbitt, Thomson and Company, Limited*, Toronto

Mr. & Mrs. G. M. Wilson, *Equitable Securities Canada Limited*, Toronto; Mr. & Mrs. Eric Duggan, *D. M. Duggan Investments, Ltd.*, Edmonton

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Natural Gas—What It Means to Canada

can be readily supported. Just for the fun of it I would like to give the crystal ball another twirl and see what we come up with.

No Allowance Made for Future Population Growth

Before doing so, I should say that my billion and a half includes nothing for future population growth — it is applied to present population estimates only. It takes no account of additional projects or extensions other than those already announced. It does not include the conversion of large industrial customers. It contains nothing for the present facilities of those companies who have been serving customers with natural gas for many years, such as Union Gas, and nothing either present or future for our Alberta companies. It includes nothing for exploration, acquiring of gas rights, and the other considerable but immeasurable items of this character.

This figure ($1,464 billion) includes nothing for buildings to serve the 564,000 new cusomers. I feel that we can safely add $10,000,000 for this item based on $1,750 per 100 customers.

The next tabulation just extends my first capital one with the unknowns which I think can reasonably be added. In a recent address given by Mr. A. P. Craig, Vice-President of Trans-Canada, he was quoted as saying that he knew of $200 million which would be put into new plants to be built in Canada because of the availability of natural gas. In another speech made recently, Mr. A. G. Bailey, Vice-President and General Manager of Bailey-Selburn, looking into his crystal ball forecast a figure of $100 million for new well drilling in Alberta — but nothing for drilling elsewhere in Canada.

	Millions
Capital expenditures 1957-61	$1,464
New administration buildings, shops, etc.	10
New industry (A. P. Craig)	200
New drilling (A. G. Bailey)	100
Third transmission line (Canadian portion)	180
	$1,954

That is really adding in the unknowns — but I believe there is every likelihood that within the next five years a third pipeline exporting gas from beyond Alberta will be built. Even disregarding Mr. Craig's $200 million—and please don't misunderstand me, I am not disparaging it, in fact I am sure he knows whereof he speaks — particularly when you think of all the natural gas byproducts such as sulphur, propane and butane—I feel that an expenditure of capital directly attributable to Western Canadian natural gas, within the next five to seven years, of $2 billion is reasonable—particularly when the Gordon Commission suggest that the expansion of the oil and gas industry might require during the next 25 year period a capital investment of $25 billion.

St. Lawrence Seaway Project

I hope you are not getting fed up with these statistical tables but I do have one or two more. This next one (Table II) particularly intrigued me — a comparison be-

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TABLE II

Comparison With St. Lawrence Seaway

(In millions of dollars)

	Present Estimates	Probable Increase since Original Estimate	Total
Seaway—Canada portion	$285	$15	$300
Seaway—U. S. portion	100	30	130
Power development	600	50	650
Totals	$985	$95	$1,080
Capital cost—natural gas program	$1,464	$490	$1,954

Mr. & Mrs. William Dunlop, *Oldfield, Kirby & Gardiner, Ltd.*, Winnipeg; Mr. & Mrs. Bruce MacFarlane, *Bank of Canada*, Ottawa; Mr. & Mrs. R. A. Wilson, *Goodwin Harris & Company, Ltd.*, Toronto

Nigel Gunn, *Bell, Gouinlock & Company, Ltd.*, Toronto; Mrs. R. W. Gouinlock, Toronto; Mr. & Mrs. Robert Craft, *The Chase Bank*, New York City

Mr. & Mrs. Jack Ridley, *A. E. Ames & Co.*, Toronto

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Natural Gas—What It Means to Canada

tween the capital cost of the St. Lawrence Seaway project and the Canadian natural gas development. You will note I have used the conservative estimate of the natural gas program, but that I have added in the more optimistic figures from the previous table. You will also note the Seaway project includes $130 million for the U. S. portion where I have not included anything in the natural gas picture for U. S. pipelines built for the purpose of connecting with Canadian pipelines to take gas from Canada, or to sell U. S. gas to Canadian pipelines. The daily energy involved in the gas program equivalent to over 1 trillion B.T.U.s compares with 2,200,000 H.P. of the St. Lawrence project, which gives the gas development more than seven and one-half times the daily energy involved in the Seaway's plan. That is only taking into account the initial peak day potential of Trans-Canada and Westcoast of 1,020 million cubic feet at 1,000 B.T.U.s per cubic foot, with no regard to further increased capacity already being planned or for any other major transmission line projects.

Let us divert our attention for a moment from capital expenditures to operating. This next table shows the annual costs of serving new customers—it has nothing to do with customers who are now burning natural gas— the calculation has been based upon the experience of the companies with which I am associated.

Annual Costs of Serving New Customers

	Millions
Field production expense	*$5
Transmission expense	9
Distribution, commercial, new business and administrative expense	†20
Total	$34

*Excluding purchased gas.
†New customers only.

So far we have talked about expenditures and have said nothing of revenue. That, I do not intend to dwell upon. The Trans-Canada, Westcoast and Alberta Trunk pipelines have been financed, something about which you know a great deal more than I. You and I know that such financing would not have been forthcoming had not the applicants been able to satisfy you, the insurance companies and the public that sufficient revenue is there.

Demand for Natural Gas to Exceed Forecasts

There is no doubt—in my opinion—that the acceptance of natural gas in the communities it is going to reach for the first time is going to be much more rapid than the forecasts we have had to date. This, I believe, is supported by the experience of B. C. Electric in Vancouver and by the Consumers in Toronto. For initial acceptance natural gas is sold, like any other product, much more readily if it is cheaper and better than the product of its competitor.

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R. W. Gouinlock, *Bell, Gouinlock & Company, Limited*, Toronto; Mr. & Mrs. R. A. Daly, Jr., *R. A. Daly & Company, Ltd.*, Toronto

Mr. & Mrs. D. W. Mitchell, *Pemberton Securities Limited*, Vancouver; W. J. Bell, *H. J. Bird & Company, Ltd.*, Vancouver

Mrs. A. H. Turney, Calgary; Mrs. D. K. Yorath, Edmonton; Mr. & Mrs. D. S. Copus, *Wood, Gundy & Company Limited*, Toronto

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Natural Gas—What It Means to Canada

So far, both these factors have been the background of natural gas sales. I believe that over the years the price of gas is going to rise to the point where it may be just competitive with other fuels and if so will be selling itself on convenience, efficiency and quality alone. If, and when that time comes, I think it will still maintain its position in the fuel and energy market.

In support of that remark, I will again refer to the Gordon Commission Report wherein they say that Canada's energy demands will be supplied to the extent of 25% by natural gas in 1980—as compared to 4% in 1953. This will mean that natural gas consumption in Canada will be about 10 times what it was in 1955. I am not one of those who believes that every utterance of a Royal Commission should henceforth become gospel but that statement is one to which I subscribe, and which I believe to be fair and temperate.

I know there is some concern as to whether natural gas will have an adverse effect upon Canada's other fuel sources. I do not believe it will on electric power. Gas, along with oil, has already had its effect on coal and, gas in turn, is bound to have a similar effect on oil where oil is used for heat producing purposes, particularly in the residential market. In this connection, we should remember that in most cases the oil companies are the producers of gas. In fact, I think in Western Canada they are beginning to wonder which may be the most profitable of the products they have for sale. Electric power has and always will have a market which cannot be served by natural gas. This is borne out by the number of utility companies in the United States that sell both. I fear that natural gas may have difficulty in making much headway against electricity in the domestic cooking field, conversely it should, because of its economy, dominate in the commercial cooking field. Electricity so far cannot heat buildings economically in below zero weather—but natural gas can be and is being used to generate electric power.

Table III will show you the expansion of the natural gas industry in the U. S. A. in the 10 years 1945-1955. Figures for 1956 are available but while the expansion in that year is substantial the comparison is still about the same—so for ease of comparison I used 1945-55.

There are several interesting features of this table—just look at the right hand column—compare the 1945-55 ratio of production to revenue and again to construction expenditures — compare revenue to payroll and payroll to number of employees.

Table IV I found most interesting. It shows the fuel energy use in the U. S. A. and Canada. You will note that Canada in 1953 so far as natural gas was concerned was in about the same position as the U. S. was in 1920. You will also see that in 1980 we will reach the U. S. level of 1955. Our rate of expansion, however, is some-

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TABLE III

United States Expansion

	1945	1955	Ratio 1955/1945
Marketed production (billions of cu. ft.)	4,042	9,340	2.3
Revenues (utility) (000's of dollars)	$680,874	$2,969,592	4.4
Customers (utility) (thousands)	8,914	22,864	2.6
Construction expenditures (millions of $)	$160	$1,345	8.4
Employees (utility) (thousands)	66.9	162.6	2.4
Payroll (utility) (thousands of dollars)	$160,475	$751,181	4.7
Average payroll per employee	$2,400	$4,620	1.9

Mr. & Mrs. J. R. Hilborn, *McLeod, Young, Weir & Company, Ltd.*, Toronto; Mr. & Mrs. D. T. Deans, *Bankers Bond Corporation, Limited*, London, Ontario; Mr. & Mrs. A. J. Cartan, *Harrison & Company, Limited*, Toronto

Cecil Parsons, *N. L. MacNames & Company, Limited*, Toronto; Mr. & Mrs. E. G. Percival, *Harrison & Company Limited*, Toronto; Mr. & Mrs. G. W. Somerville, *Mills, Spence & Co.*, Toronto; Peter MacNames, *N. L. MacNames & Company, Limited*, Toronto

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Natural Gas—What It Means to Canada

what more rapid — the U. S. reached her 26% after 35 years, whereas Canada is expected to reach a similar figure in 27 years from 1953. I feel that the expansion of Canada's natural gas industry will be comparable to that in the U. S. over the past 15 to 20 years. The marketed production of natural gas in the U. S. has grown from 0.7 trillion cubic feet in 1918 to 10 trillion in 1956 and 20 trillion is estimated for 1975.

Now that the financing has been arranged and construction underway, the chief problem left is to sell the gas. That can only be done by public promotion and education carried on continuously and by the utility company observing good utility practice.

New natural gas markets can only be obtained if the utilities serving those markets do so by maintaining an efficient and safe plant, operated with the highest standard of service and with constant regard for the convenience and comfort of its customers. The natural gas industry on the American continent has established a reputation of courteous and prompt attention to its customers' needs to the point where, as an industry, it is regarded with public confidence and respect common to few others. This standard must be maintained in the new markets about to be opened to Western Canadian natural gas.

Regulated by Government

Utilities are subject to Government regulation. As such, the rate of return that they can earn on their rate base is controlled but in no way guaranteed. It would be impossible for me to delve into the various types of rate base here and, without doing so, quoting percentage rates of return is almost meaningless. However, the allowed percentage rates in Canada vary in a range from 6½% to 8%. But the rate base can be established on a variety of approaches from depreciated original value to replacement cost new.

Our regulatory climate in Canada is good. I believe that all our Commissions arrive at their decisions having in mind their responsibility to protect the public and also to ensure that the utility is allowed to operate so that its financial health can be sound enough to attract additional capital to meet the constantly growing requirements of its customers.

A major consideration facing the industry right now is the manpower situation, which over the next several months could become acute. Trained natural gas utility men in Canada are a comparative rarity — not only the technical men of department head or sub-department head level but also the key position foreman type. Those companies who have been established in the gas business—manufactured or natural—have a problem, but not as great a one as those new companies serving new territory. The established company at least has a set up where new employees, to handle the company's expansion, can be trained.

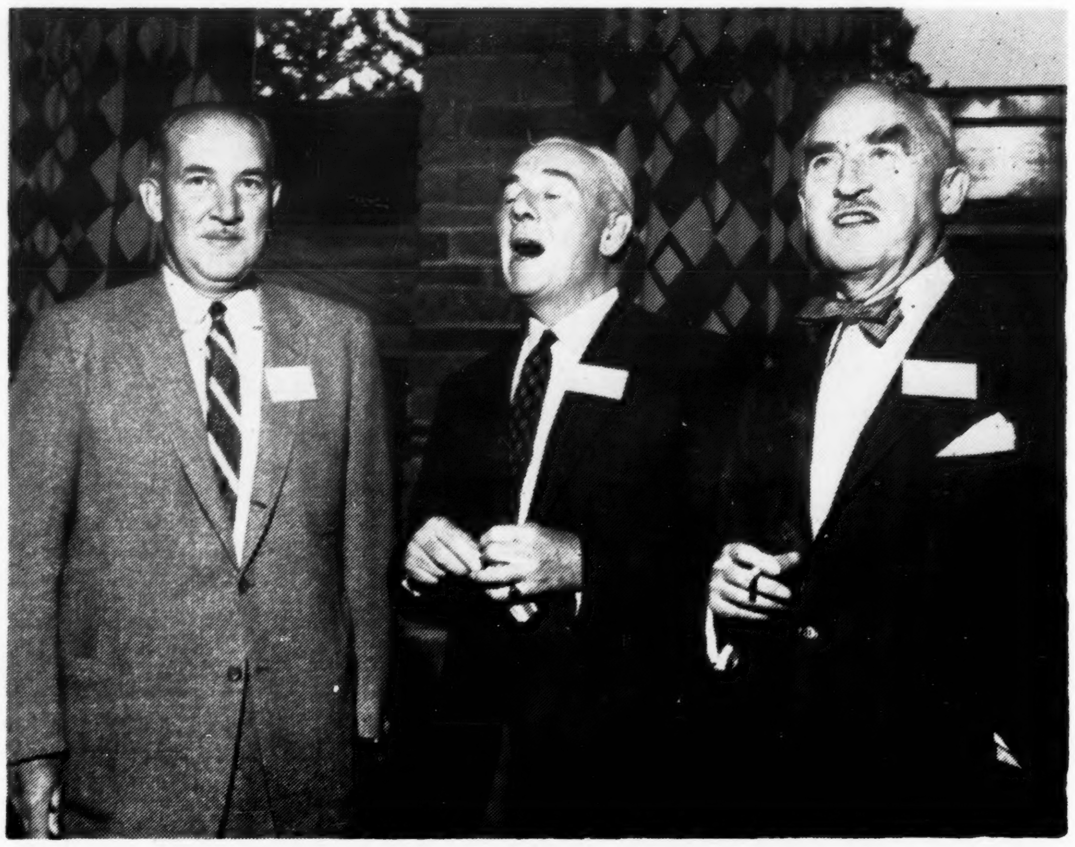
As an indication of what the manpower requirement may be to serve the present potential of 1,275,000 customers, the employee ratio in the gas utilities in the United States is one to every 140 customers. Applying this ratio to the potential customers in Canada would result in approximately 9,000 employees. In my own companies — who produce and transmit as well as distribute—the ratio is one to 157 customers. That figure does not include casual labor employed during the construction season.

Even with all the political hulabaloo, I don't believe the average Canadian citizen has any realization of the magnitude of the effect natural gas is going to have on the economy of his country and on the comfort of himself and his family—because of a few holes dug in the fertile soil of Alberta. It is up to the gas industry to keep the public informed of the effect Western Canada's resources are about to have on their future. In that area the Investment Dealers could be of great assistance—many of you have already been very helpful with some of the literature you have published.

TABLE IV

Fuel Energy Use

	1900	*1920*	*1945*	*1955*
United States—				
Natural gas (incl. liquids)	Less than	4.4%	14.2%	26.0%
Petroleum	10%	13.3	30.5	41.0
Coal	90	78.4	50.6	29.3
Water pawer	--	3.9	4.7	3.7
Canada—				
		1926	*1953*	*Est. 1980*
Natural gas		2%	4%	25%
Petroleum		10	42	45
Coal		69	39	16
Wood		16	7	1
Water power		3	8	11
Nuclear		--	--	2



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The Canadian Capital Markets

terms of U. S. dollars from 1.02 to 1.05½.

The past year has seen the corporate financing spot-light swing from the uranium industry to the petroleum industry and especially to pipelines. The investment community can look with pride upon our accomplishments in this area, not only at the magnitude of the financing, but also at the seemingly unsurmountable problems which were overcome, thanks to the courage, vision and skill of investmest dealers. Great projects have been brought into being. It must be remembered that Canadian participation in these projects has been important although foreign buyers have tempted many Canadians to sell their original investment by offering what seemed to some, very high prices.

Trend Toward Equities

Constant talk of tight money and fear of inflation has perhaps induced many investors, domestic and foreign, to turn from fixed income securities towards equities and our members have, in raising capital for corporations, made greater use of the convertible debenture, or the now popular "package deal." It is possible thus to offer investors some of the benefits of both types of securities. Perhaps the pendulum has swung too far. Fixed income securities have become less popular at a time when offering the highest return in 25 years. Surely there is no proof that equities represent a clear, straight track without dangerous curves and with nothing but green signals ahead.

Provincial governments have been heavy borrowers at home and in the U. S. Gross new issues, direct and guaranteed, increased from $372 million in 1955 to $608 million in 1956. Purposes of capital borrowing vary somewhat from province to province but by and large, power plants, highways, public buildings, bridges, extension of telephone services in the Prairie Provinces and railway construction in British Columbia are among the more prominent.

Our larger cities have also been substantial borrowers for schools, waterworks, sewer extensions and other municipal purposes but smaller municipalities and less well-known corporations, have found it difficult to obtain capital requirements as institutional investors are offered a plethora of good names at attractive yields. So many well-known borrowers sought funds that many institutions had neither the money nor the time to investigate put-of-the-way or little-known situations. Provincial governments across Canada are endeavoring each by a different method, to assist their respective municipalities to obtain necessary funds so that the municipalities might in their turn provide the standards of service required by a growing population.

During the past year Canadian corporations have raised large sums of capital by issuing rights to their shareholders and this, of course, reduced the amount of money available for investment in other securities.

A great deal has been heard of higher interest rates and tight money, but these are not the only difficulties encountered. Borrowers find they are paying a great deal more for their projects. Construction costs are sharply higher, and give no evidence of becoming less. One wonders if overmuch attention is not being paid to the cost of money and not enough attention to the fact that the costs of projects undertaken today are considerably greater than a year ago.

Monetary control is new—it is comparatively untried, but during the past 20 months in Canada has been put to its greatest peace time test. We all hope that perhaps the magic method of controlling the wider excesses of the business cycle has been discovered.

Many of us are prone to criticize control and the detail of methods used. Perhaps we would be well advised to take heed of the yellow light being flashed and pause to see if our plans for expansion are sound, and our projects entirely necessary. Parenthetically, may I observe that the Dominion Bureau of Statistics Index of Wholesale Prices rose from December, 1956 to April, 1957 by only .17 of 1% as against a rise in a similar period a year ago of 1.5%. I consider this a hopeful indication that the tight money policy is proving effective, at least in this direction.

I commend to your attention the 1956 Annual Report of the Governor of Bank of Canada. It presents a detailed description of the operation of a Central Bank during a period of inflationary pressures, and it should be carefully read by every person dealing in or holding securities.

Government Spending Continues Uptrend

No review of the year could be complete without reference to Government spending which is still increasing. Federal expenditures rose by about $160 million in 1956 over 1955 and the budget figures for the current fiscal year indicate a further increase in spending of some $400 million. Simultaneously, provincial expenditures rose by $74 million from 1955 to 1956.

At the beginning of 1957 corporation capital spending intentions for the year were announced as $8.5 billion, or an increase of 8% over 1956, and early indications are that 1958 will start off at an equal rate. This means continued demand for goods and services, and indicates continued high level of employment accompanied by heavy demand for most goods, capital and consumer, domestic and imported.

Barring unforeseen circumstances, or perhaps a complete stoppage of immigration, Canada's growth is only beginning. Nothing in nature grows evenly, and despite the best efforts of man, it is hardly likely our country's economy will do so either. From time to time there must be slow downs and consolidations, and from time to time it may well be in order for all of us to pause, take stock and perhaps blend a little caution with our optimistic visions of tomorrow. Our industry has grown, nearly three times as many are employed in our member firms as there were in 1946, over 3,700 hundred young men and women have enrolled in our educational courses since their inception in 1947.

Undoubtedly, financing will be required in vast amounts and will be arranged perhaps by methods yet to be developed. Our members have shown in the past ingenuity and effort and I amsure tht they will continue to play their constructive part in the development of our country.

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